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EDITORIAL

As We See It

In one degree or another the operations of the Federal government, not only its forms of organization and efficiency but its spheres of action, have been brought to the attention of the general public during the past few weeks by various reports of the so-called Hoover Commission and its "task forces." A large set of these documents have been released to the public of late, and more are to come, so we are told. Mr. Hoover himself has been on two public platforms to make pleas for the proposals contained or to be contained in the findings of his Commission.

This, of course, is the second time that the former President has essayed this role, but this time his work should attract wider and more serious attention than in the former case. This is true for the reason that he has now been charged not merely with studying the forms of government

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WHAT DO YOU THINK?

In the adjoining column, author Frank Rising discusses the Guaranteed Annual Wage demand of the United Auto Workers of America and discusses the adverse effect any such plan, if adopted, would have not only on the automobile industry but on the nation's entire economy. The issue, in the opinion of the *"Chronicle,"* is of such vital importance as to warrant the utmost consideration by everyone interested in the objective of maintaining a continuous high level of employment and economic activity throughout the nation. For this reason, the *"Chronicle"* will be happy to accommodate in its columns any comments whether pro or con, on the Guaranteed Annual Wage principle. *Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.*

Guaranteed Annual Wage—Blue Sky and Brass Tacks

By FRANK RISING*
General Manager,
Automotive Parts Manufacturers Association

Picturing the drive for a guaranteed annual wage in the auto industry as of such magnitude, affecting all industry, as to render an early solution very improbable, Mr. Rising points out not only the manufacturer, but every individual has a stake in its solution. Says it is the consumer, the average citizen, who must support the plan. Scores the "implacable and intransigent position of the UAW," and says its proposed demands will break the American tradition of confidence, risk-taking and steady progress. Scores payment to men when not working.

The drive for the Guaranteed Annual Wage by the UAW-CIO presents not only the automobile industry, but all America, with a problem of such magnitude, and of such complexity and intricate nature, as to render an early solution very improbable.

Frank Rising

Even though last-minute compromise may avoid a great strike—and compromise always is possible—we will not have solved the problem. We will confront the question again and again. This is only the first test of a great question, only the beginning.

Time passes—it is now some seven weeks since negotiations began—and there is no feeling that progress has been made, that the union has done more than say, in its truculent way: "This is what we demand and this is the way we think it can be paid for." The union has stated that it rejects proposals made by management and is taking a strike vote. All America—not only the manufacturer but everyone—has a stake in this. And I am afraid that the nature of the problem is not well under-

*An address by Mr. Rising before the National Press Club, Washington, D. C., May 18, 1955.

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Banking Conditions and Interest Rate Prospects

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

Dr. Reierson discusses various aspects of the current "flexible credit policy" and its relation to the expansion of economic activity under way since mid-1954. Sees current business strength as a basis for rising interest rates. Forecasts some further credit restraint and a more restrictive Federal Reserve policy than has been the rule in recent months. Points out, however, the credit authorities will furnish large reserves to the banking system in the latter part of the year, and proceed in their credit tightening in an orderly manner.

For almost a year now, interest rates have been in a generally rising trend. This behavior is an expected concomitant of the expansion of economic activity under way since around mid-1954. Indeed, one of the more remarkable features of recent bond and money market developments has been the close conformity of money rate movements to the anticipations of most financial observers. With business advancing and demands for bank credit rising, most short-term rates have firmed substantially. Bond yields have also moved upward in recent months, although the rise in long-term yields has been more gradual and more moderate than was generally anticipated earlier in the year. Throughout, the tightening of credit has proceeded in an orderly fashion and without disturbance or unsettlement in the market place.

Roy L. Reierson

This good record reflects, by and large, the flexibility of current credit policy, the absence of market uneasiness with respect to future action by the Treasury and the Federal Reserve, and the fact that credit and investment funds have been readily available

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*An address by Dr. Reierson before the Pennsylvania Bankers Association, Atlantic City, N. J., May 25, 1955.

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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.)

CHARLES V. CAMPBELL

President, Campbell, Henderson & Company
Investment Counsel, Dallas, Tex.

Gulf Insurance Co.

It is an ingrained habit of professional investment advisers to evaluate their advice. In line with this idea, we decided to take a second look at Gulf Insurance Company, our September, 1951 choice of "The Security I Like Best." The purpose of the calculations is not to prove, "I told you so," but rather represents a review of what has happened to the investment during the past three and one-half years.

Charles V. Campbell

We stated in September, 1951, that an investor would fare better by buying Gulf Insurance Company than he would by purchasing the general run of market stocks. Since that time, the Dow-Jones Industrial Average has risen from 274 to 416 in May, 1955, a gain of 142 points, or 51.8% during the period. Gulf Insurance Company, selling at 49 in September, 1951, has since sold shares to its shareholders at attractive prices three times and has paid two stock dividends. Another stock dividend of one new share for each nine held is being paid currently, but is disregarded here as it was not effective at the year-end. Allowing for these capital changes, a present owner of shares acquired three and one-half years ago would have a cost of 40½ per share. At the recent price of 87½, he would have had a gain of 47 points, or 116.7% on his investment during the period.

The real question is whether or not the improvement can be expected to continue. What of the future?

It is believed that the Gulf will continue to grow, and that the patient shareholder will be well rewarded in the future years as he has been in the past. The company is still "small" at $38 million of assets, although it is now the largest stock fire and casualty company in the South, indeed, there is none larger in that vast territory lying West of Pennsylvania, South of Chicago and East of California. Management is aggressive and highly regarded within the industry. Also, the management has proven itself capable of coping with a variety of operating problems during recent years.

The quality of the investment portfolio has been maintained. Investment income, growing steadily, rose to $4.57 per share in 1954. Less than one-half of such earnings were needed to pay the $2.00 per share cash dividend. In addition to the investment income, an underwriting gain of $3.33 and a $1.42 gain in premium reserves brought total per share earnings to $9.32, excluding gain or loss on securities and market fluctuations.

Market appreciation alone amounted to more than $27 per share in 1954, and this figure is 2.7 times the entire capital stock of the company. While last year was an exceptional one, it is of interest to note that Gulf has had an annual gain in market values for many years. The performance is made possible by the inclusion of many carefully selected issues from the Southwest and the willingness of the investment committee to buy issues which fill particular requirements.

A word about competition. It is fierce! But the industry has been very competitive for years, and the going has never been easy for this young, small company. In spite of small size and stiff competition, the Gulf has grown in assets from $5¼ million in 1941 to $38 million in 1954. It is difficult to see how competitive conditions can worsen for a company which is not and never has been "on Easy Street" as far as getting new business is concerned. The policy of the management has been to keep working as hard as possible.

As business is written in only 14 states, it is obvious that new territory can be entered in case the need arises. Many of the states now being served are among those which are enjoying better than average growth, and it is likely that the territory will be more intensively cultivated each year.

A new casualty department, being expanded as fast as personnel and resources will permit, will soon merchandise a full line of casualty policies over much of the territory. This development, resulting in a broader coverage offered, would unfold new avenues of growth prospects.

If one is reasonably optimistic about the outlook for general business in the United States, there is little reason to worry about the availability of new premium income for insurance companies. The high level of production at favorable prices will continue to create a tremendous potential of insurable values. The limiting factor, over the longer term, may well be the ability of the insurance industry to absorb such a heavy increase in business. Assuming that there will be enough insurance premiums to provide a satisfactory rate of growth for companies like the Gulf Insurance Company, an investor can ignore periodic unfavorable news for the ultimate reward should be large enough to justify his patience and faith in the company. The stock is traded in the Over-the-Counter Market.

PAUL DYSART

Investment Advisor
Trendway Stock Market Service
Louisville, Kentucky

Koppers Company

It is never easy, in security analysis, to put your finger on the exact reason why one stock will seize the public's fancy and another will not, except to say that stock preferences are "faddy." Fads for stocks pass from group to group and stock to stock. Koppers stock, for some unknown reason, has never been in the faddy limelight, although several of its principal activities, such as chemicals and plastics, have. But perhaps this very fact is fortunate for the investor contemplating Koppers common; for here is a stock which has basic similarities to such companions as Monsanto, Dow Chemical, and duPont, but which has never obtained their degree of respect in investment circles. One can hardly imagine a great company like Koppers conducting the numerous pilot plant operations, as noted elsewhere, without gaining tremendous assets in "know-how" experience, as well as broadened product areas and sales expansion. In short, I feel that an investment in Koppers common offers the investor an opportunity to buy into a true blue-chip without paying the usual fad premium tariff exacted as when buying into other stocks whose business and nature are basically similar. The buyer of Koppers today pays for no long-sustained appreciation curve like he would were he to buy Dow, American Cyanamid or Monsanto. Furthermore, he buys at a price (at recent levels of near 46 on New York Stock Exchange) which actually represents a discount of 10% from current book value.

Paul Dysart

Koppers Co. is Mellon dominated and may be considered to be a member of that fabulous family of other Mellon-controlled companies, such as: Gulf Oil, Alcoa, The Mellon National Bank. That the same cross currents of management that have made these other "Mellon" companies spectacular financial successes will completely by-pass Koppers, seems incredible. Up to his death, recently, General Brehon Somervell, head of the Army Service Forces during World War II, was Chairman and Chief Executive Officer. W. F. Munnikhuysen, long time Executive Vice-President, has since become Chief Executive Officer. A more aggressive and less cautious expansion policy, combined with the usual Mellon acumen, may confidently be looked for.

Business

Koppers is world's largest producer of coal tar products and chemicals and plastic derivatives, such as creosote, pitch and a long line of related products. It operates many other producing and service facilities through its seven operating divisions, a short description of each of which follows:

(1) *Tar Products Division*—Produces road-building materials, roofing and water resistant coatings of all sorts, industrial tars and pitches, creosote oil, crude and refined coal-tar chemicals, and moth and insect preventatives.

(2) *Chemical Division*—Produces chemicals from coal tar, petro chemicals, plastics and plastic materials, adhesives, resins and synthetic organic chemicals for use in industries and pharmaceuticals. Began producing polyethylene, the raw material from which flexible squeeze bottles and tubes are made, in 1954.

(3) *Wood Preserving Division*—Chemically processes forest products for protection against decay, marine borers, termites, fire, acid and mechanical damage; operates fabricating and wood-working facilities. Serves railroads, utility, mining and construction industries, and farms.

(4) *Gas and Coke Division*—Produces coke, gas, tar, ammonium sulphate, and light oils. Customers include public utilities, which buy both manufactured gas and coke for making gas, and the general public in northern New Jersey, Staten Island, and Long Island, which are serviced through retail distribution yards.

(5) *Engineering and Construction*—Engaged in the business of designing and constructing complete by-products coke plants; plants for the manufacture and purification of gas; coal and coke handling equipment; chemical plants, and other types of industrial structures; blast furnaces and open hearth furnaces for steel mills; sintering machines and

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National Strength Through World Trade

By DAVID ROCKEFELLER*
Executive Vice-President,
The Chase Manhattan Bank in New York

Picturing the Russian threat as meaning the nation can no longer afford to live by itself, prominent New York bank executive cites reasons why our world trade should be expanded. Points out the economic principles of world trade, and lauds the accomplishments of the Marshall Plan. Holds U. S. is pursuing an enlightened trade policy, and, although we have not achieved our ultimate objectives that there should be no discrimination against goods of any one country, present policy should be continued with greater efforts. Urges U. S. join Organization for Trade Cooperation.

World trade is important to each of us as a means for raising our standard of living. Still more, it is essential to the continued strength and independence of the United States as a free nation, both because it provides us increasingly with indispensable raw materials and because it brings greater economic strength and political stability to our allies in the free world. In the arguments that one hears pro and con about trade practices and policies, I do not believe that these considerations are given sufficient weight. So, I should like to speak to you chiefly about the relation of world trade to the strength of the United States as a free nation.

David Rockefeller

I doubt if it is necessary to recall to this audience the great changes that have occurred in the position of the United States in its relationship to other nations in the short space of the past 20 years. Perhaps the change is revealed most vividly by pointing to the fact that only two decades ago we could relax in the knowledge that despite wars in other parts of the world, our own homeland was virtually impervious to foreign attack. Today the atom and the airplane have changed all that. City-busters can now be delivered to our mainland which, with their poisonous after effects, are capable of devastating vast areas. As my associate, John McCloy, has so graphically put it, the atom and the airplane have even changed the shape of the world as we used to think of it. We can no longer afford to use the old maps with a Mercator projection that spread continents flat on a plane and give the illusion of great distances at the poles. The fact is that the world is as round at the poles as at the equator, and the shortest distance to our heartland from bomber bases in Russia is by way of the ice masses to the north. The Russians already have high-speed bombers which, if they can break through, are reported capable of dropping hydrogen bombs in any part of the United States. With the Intercontinental Ballistic Missile likely before long to be a matter of practical reality, the ease with which an attack could be made even on the great State of Texas would be greatly enhanced.

These are grim words and grim thoughts. Yet they are the facts with which we live in this Mid-Twentieth Century. And they are a basic reason why this nation can no longer afford to live by itself. On the contrary, when we consider that the Communist world now embraces nearly 800 million people, or a third of the world's population, it is evident that we need the friendly support as well as the resources of other nations if we are to continue to stand them off. The 330 millions of Free Europe, the more than 700 millions along the arc of Free Asia, and the 180 millions who are our neighbors in Latin America and Canada can benefit us greatly if they are friendly or even neutral, but would be a serious threat in Communist hands.

Economic Bases of World Trade

What has all this to do with world trade? A very great deal. For it is only through trade — through an exchange of goods which makes possible in each country the most efficient use of labor and resources — that the economies of the free world can grow strong. Thus, they will gain that sense of unity and common purpose which are essential if the free nations are to present an unbroken front to would-be aggressors. And in any calculation of trade, the position and policies adopted by the United States are of crucial importance.

The hard truth of these facts runs through the history of the postwar years. Consider only one example, although an important one — the story of recovery in Western Europe since 1947. In 1947 Western Europe was flat on its back, still prostrate from the crippling effects of the most devastating war in history. Production per person was then only three-fourths of the prewar level; living standards were so low that large masses of the people were turning in despair to the strong persuasions of Communism. Trade

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*An address by Mr. Rockefeller at the International Dinner Ball of the Dallas Council on World Affairs, Dallas, Texas, May 19, 1955.

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Wheels for Lanes and Lawns

By IRA U. COBLEIGH

Enterprise Economist

Some current notes on a distinguished 35-year old company rolling up some excellent earnings results this year—Motor Wheel Corporation.

If the invention of the wheel marked a milestone in the civilization of man, then Motor Wheel Corporation must be credited with doing a whale of a job of civilizing all of us; for, since 1920, this company has turned out tens of millions of wheels. You ride on them, on many makes of cars; you see them rolling on city streets, and highway lanes; and you watch them power gliding across verdant lawns at a merry clip. (No pun intended.) Motor Wheel is a vital enterprise, diverse, well directed and definitely to be looked into by stock buyers, not averse to a 6½% current yield on an equity of merit.

Ira U. Cobleigh

Motor Wheel Corp., as its name reveals, started out making wheels for passenger cars 35 years ago. It has done such a good job at it that, today, it supplies about 30% of the industry's requirements, and is turning out wheels and drum and hub assemblies at a pace above a million a month. Clients include Chrysler Corp. (Plymouth, DeSoto and Chrysler), General Motors Corp. (Buick, Oldsmobile and Pontiac) and among the independents, Hudson, Nash, Packard and Willys. Until quite recently, motor wheels were riveted. Motor Wheel, however, pioneered in the production of welded wheels in volume and its present Electrofuse welded wheels represent a big step forward in style, performance and design. Moreover, they are perfectly adapted for the use of tubeless tires, which as you've noticed are standard delivery on many of the 1955 models. Fifteen million Electrofuse welded wheels have already been produced. Auto wheels, brake drums and hubs together account for some 50% of MRW sales.

But MRW must not be regarded solely as a specialist in wheels. The depression period (1932-34), the only years since 1920 in which cash dividends were not paid) pointed up the need for product diversification; and a program to that end has now evolved a far broader base for earning power.

Defense work has been fairly important, although tapering down from 26% of sales in 1953 to 7% last year. Principal product here is shell casings for the 106mm. Army recoilless rifle being turned out in a new 76,000 sq. ft. factory, now running in three shifts.

Then there's the Appliance Division which has now been developed to produce items salable every month in the year. The Duo-Therm products and appliances include oil and gas space heaters, gas fired incinerators, water heaters and roof mounted air conditioners for trailers; and beginning last year the Duo-Trim line of lawn mowers was introduced consisting of six reel and rotary models. The heaters above mentioned sell best in fall and winter; so Motor Wheel Corp., to smooth out year round sales, has entered heavily into the power mower trade which does its best selling in the alternate seasons — Spring and Summer. This seems like a logical program and it is working out well.

As a matter of fact, power lawn mowers are selling sensationally. In 1946, only 164,000 power mowers were sold; last year 1,350,000, and the prospect this year is still brighter with a $150 million sales total indicated. To meet this powerful demand MRW offers not only its own designed Duo Trim models (aforementioned) but, by outright purchase for cash last fall, it acquired the Lawn Mower Division of Reo Motors, Inc. (right in the home town of Motor Wheel, Lansing, Mich.). The Reo line is the most widely distributed home power lawn mower in the world, over a million units having been produced since the war. Reo's 11 models (both electric and gas) will be distributed by 150 Reo distributors and 5,000 dealers in U. S. and Canada; while the Duo-Trim units will be handled by the broad selling organization of the Duo-Therm division—102 exclusive distributors and 15,000 dealers. So effective has been this lawn mower market entry, that power mower sales accounted for 12% of total sales for the first quarter of 1955.

From the foregoing you can perceive that Motor Wheel is progressive. This is due not only to effective corporate leadership under the guidance of Mr. M. F. Cates, President and General Manager, but to eager and loyal echelons of junior executives and some 4,600 employees, many of whom have been with the company over 20 years. Labor relations are good and employee benefits include retirement annuities and group life and hospitalization coverage. The set retirement age is 68—optional at 65. The last plant wide strike at MRW occurred 18 years ago.

Now let's turn to finances. Last year was not a particularly good one, with sales dipping to $53.8 million from $84.2 million in 1953. Withal, however, 1954 per share earnings were $2.04 — coverage, albeit thin, for the $2 dividend. This year things are looking better. First quarter gross was up 40% to $20 million and net profits worked out to $1 a share. The second quarter is going along equally as well.

Balance sheet position (1954 year-end) was good with above $14 million in net current assets, even after cash purchase of Reo Lawn Mower Division in the Fall of 1954. Capitalization could hardly be simpler, consisting of merely 854,752 common shares listed N.Y.S.E. and now selling at 31. Book value (3/31/55) stood at $32.46. Eighty-five hundred stockholders will be watching the progress of 1955 earnings of MRW, having in mind the company history of paying out, on the average, around 60% of net. Assuming possible 1955 per share results of $4, a cash dividend payout of 60% would suggest a $2.40 declaration — but remember this calculation is only guesswork. It is not, however, illogical to assume larger dividends out of larger earnings.

There seems to be a pretty well defined tendency for motor cars to run on wheels. Since that is the case and since Motor Wheel Corp. not only serves passenger car makers with standard and wire wheels, but such truck makers as GMC, White, Diamond T and Studebaker, MRW should continue to progress and to prosper. Further than that, the company provides about 40% of the wheels used for farm implements and tractors, supplying such distinguished producers as International Harvester, Deere, Allis-Chalmers and Massey Harris. When these eminent corporations want to roll, they call on Motor Wheel!

For those investors peering about in the market for stocks which have not gone crazy, price wise, and which still provide a generous yield, may we suggest an inspection of Motor Wheel common? If you seek wide market swings, MRW is not the right vehicle; but if you are content to deploy your funds into a well managed corporation with broadening vistas of earning power and a history of sturdy balance sheets and liberal cash dividend payments, then Motor Wheel Corporation may attract you.

Merrill Lynch Signs AEC Agreement

For the first time a financial institution has signed an "Access Agreement" with the Atomic Energy Commission. This was announced yesterday by Merrill Lynch, Pierce, Fenner & Beane, nationwide investment bankers and brokers with headquarters at 70 Pine St., New York City.

Winthrop H. Smith

The "Access Agreements" are part of the AEC's new policy of permitting American industry to study and participate in the peaceful applications of atomic energy. Under the agreement signed by Merrill Lynch, a small staff of selected personnel will be permitted "access" to confidential AEC information in the industrial atomic energy field.

In New York, Merrill Lynch managing partner Winthrop H. Smith stated his firm was "delighted" the AEC had approved his firm's petition to participate in atomic energy on a study group basis.

Mr. Smith added: "Our firm feels sure that in the years to come many industrial, utility, railroad and other companies will want additional amounts of new capital to invest in atomic applications. Under this new procedure established by the AEC, Merrill Lynch can continue to provide its conventional services in the atomic energy field as a principal financial underwriter in the United States."

Mr. Smith continued: "We are sure that when our firm has access to information on atomic energy we can help provide the needed capital for the development of atomic energy for peacetime uses."

Gordon Scherck Jr. With Scherck, Richter

ST. LOUIS, Mo. — Gordon Scherck, Jr. has joined the trading department of Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. Mr. Scherck attended Tulane University and has recently been associated with Weintraub & Associates, Inc., advertising agency.

Women's Bond Club To Hear Floyd Odlum

Floyd B. Odlum, President of Atlas Corp., will be the guest speaker at The Women's Bond Club of New York luncheon meeting, Thursday, June 2. The subject of his talk is to be "Uranium."

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 advanced moderately in the period ended on Wednesday of last week and was approximately 12% higher than a year ago.

Steel producers have pushed production facilities about as far as they can for the present and the day of reckoning is near on maintenance. Important maintenance shutdowns are inevitable in the near future, and warning signals are beginning to flash, states "The Iron Age," national metalworking weekly this week.

Combine this with the normal summer vacation and hot weather production problems and the outlook for the immediate future is far from what steel consumers would like it to be, adds this trade journal.

Production will back off from current near capacity operations. Before the mills have disposed of maintenance and vacation disruptions, the ingot rate will drop a few points from present levels. There will be little if any letup in order volume, which is currently running ahead of capacity. As a result, order backlogs will continue to mount and broken delivery promises will continue to plague both producer and consumer, this trade authority further reports.

With the third quarter already spoken for, and the fourth quarter filling rapidly, the maintenance-vacation bugaboo will aggravate the tight demand-supply picture over balance of the year. On some products, mills are running 30 days or more behind on deliveries.

The maintenance problem already is beginning to crop up in some producing districts and the ingot rate in those districts is suffering. Scheduled production rates are not being maintained, although the national pace is holding steady this week at about 97% of capacity, unchanged from the previous week.

Normal mill customers are turning more and more to higher-priced warehouse steel to fill in tonnage gaps. As a result, warehouse inventories are showing signs of imbalance. Mills report that warehouses in turn are increasing pressure for delivery, declares this trade magazine.

The pressure for warehouse steel is as good a sign as any that consumers generally have been unable to do any inventory-building. Otherwise, a delay in delivery from the mills would not create the emergency shortages that have forced some users to pay warehouse prices in order to maintain their own production schedules.

Some third quarter business is certain to carry over into fourth quarter, which virtually guarantees a good production rate at the year-end. In fact, some consumers would be willing to place business for the first quarter of 1956 if the mills would accept, concludes "The Iron Age."

Last week some United States or Canadian assembly plant rolled out the 4,000,000th car or truck of 1955. Last year the milestone was not reached until the week ending July 17.

Meanwhile, according to "Ward's Automotive Reports," United States car and truck building the past week, pegged at 207,452, was a slight 0.4% under the previous week's 208,268 turnout, the third highest yield in industry history.

Passenger car making alone, estimated at 176,489 will be 0.5% under the May 9-14 total of 177,287. Truck building, at 30,963, will nearly equal the 30,981 completed in the prior week.

Increases at General Motors Corp. and Ford Motor Co. offset losses suffered earlier last week by American Motors due to labor flareups at Kenosha and Milwaukee, Wis. Chrysler Corp. operations were hit by strikes last week, and the week before, including a walkout early Friday at the Vernon plant in Detroit.

The statistical agency reported that Saturday operations were on tap last week at Buick, Pontiac and all Ford Motor Co. assembly plants.

The sharp increase in scheduling by General Motors Corp. found the company taking a big 51.5% slice of industry car output, while Ford Motor Co. will take 28% and Chrysler Corp. 16.4%. A week earlier, these producers took 50.1%, 27.4% and 16.8%, respectively.

Among truck builders, Chevrolet will garner a strong 37% of last week's construction, Ford 23.7%, General Motors Corp., 10.0%, International, 9.2% and Dodge, 9.0%. Year-to-date truck erecting, which until four weeks ago lagged behind 1954, is now 8% ahead of the year-ago stage at 485,160 as against 447,667.

Car building since Jan. 1 at 3,409,560 is 46% ahead of the same period last year which stood at 2,333,622 units and combined car-truck production is up 40% to 3,894,720 from 2,781,289.

This week's United States and Canadian combined car-truck building at 220,397 is down a slight 0.7% under last week's 221,746 completions.

Activity in the building construction field during April continued unabated, Dun & Bradstreet, Inc., states. The total valuation of building permits issued in 217 cities, including New York, during the month was $521,173,029, or an increase of 6.4% above the April, 1954, figure of $489,888,868. Compared with the March sum of $542,997,099, there was a drop of 4.0%.

Building plans filed in New York City during April had an estimated valuation of $49,939,864. This was down 9.3% from $55,063,895 in the same month last year, and 16.2% less than the $59,577,583 in March.

Steel Output the Current Week Dips to 96.3% of Capacity

The big aim of consumers now is to get delivery of steel scheduled for May and June shipment. They want to get ahead of a price rise, says "Steel," the metalworking weekly.

Steel is billed at prices in effect at time of shipment. With mill order books loaded on some products, there is danger that part of the tonnage scheduled for second-quarter delivery will not get delivered until the third quarter. Early in that period a

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World Political Situation and The Outlook for Plastics

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

Mr. Zelomek expects long continuation of Cold War, necessitating our preservation of strong economic as well as military structure. Forecasts vigorous promotion of our international trade. Discussing future of plastics industry, he cites two major supply problems arising from defense needs, and increasing demand from new uses.

No One-World Peace

I should like first to look at some of the larger events, the major trends, of the present and the future, and then gradually to narrow our view down to a consideration of the more immediate problems of American business and specifically the plastics industry. Let me start out with a double-barreled prediction:

A. W. Zelomek

There will be no real peace in international affairs—in the next year, in the next two years, in the next ten years. And there will be no great war that will engulf all nations and all parts of the globe.

Either the idea of a "one-world peace" is an absolutely implausible idealization or else it implies the subjection of all independent powers by one power. Clearly, neither is possible at the present time. A politically realistic kind of peace is a peace based on a balance of power among the great states of the world. World War II did not create the conditions for such a balance of power, and postwar developments in the Far East have especially upset any possibilities for a balance of power that might have existed. Therefore, the best we can hope for is an armed peace continually interrupted by cold wars and limited fighting wars.

There are some people, of course, who believe that there are peace parties in Moscow and Peiping. They believe that there are some groups who would wish to consolidate the gains of the Communist ruling classes in a period of peace, in a reign of "mutual coexistence."

Unfortunately, I cannot in this short speech go deeply into political theory, into a discussion of the dynamics of the totalitarian state. I can only say that domestic political conditions in both Russia and China preclude the possibility that peace parties will come to power. The trend in these states will continue to be toward an extension of the states' military and police powers and of new foreign aggrandizement.

No One-World War

If there isn't going to be a one-world peace, the likelihood is that there isn't going to be a one-world war either. There is a popular conception that any future war or conflict among the great powers will immediately turn into an engagement that will involve all nations and probably destroy the world. This is a misconception of the consequences of atomic weapons. Just *because* involvement in war could possibly be so completely destructive, there has been a growing trend among the statesmen of small and medium nations to "sit out the next one."

*A talk by Mr. Zelomek before the Society of the Plastics Industry Annual Conference on board the Queen of Bermuda, May 9, 1955.

Adlai Stevenson, in his radio address on American Far Eastern policy, noted the reluctance of our European allies to become involved in shooting wars, and there is no doubt that our statesmen in Washington, too, are well aware of it. Despite internatonal political and economic ties and despite, or even because of, atomic weapons, the trend to "neutralism" may gain strength. I shall discuss in a few moments the effect that European neutralism may have on our foreign-economic-aid program and our trade with Europe.

I believe that the trend among our European allies will be more and more to withdraw from Far Eastern involvements and that Russian policy will support this trend. Russian policy will be to seek decisions on the great issues of the power struggle in the Far East. And it is in the Far East that Russia, together with Communist China, will concentrate her aggressive moves. Thus, it is quite logical to suppose that Russia will welcome peace and neutralism in Europe.

Now I don't mean to say that Russia and China will want an all-out war even limited to the Far East. Their aim is not an immediate destruction of America as a world power—for this would be unrealistic. Their aim is rather a gradual attrition of America's international prestige and a gradual expansion of the Communist area of control. Thus, they may provoke a clash with the United States under geographic and political conditions unfavorable to large-scale American intervention. Or, they may so choose the time and the place that, if we pick up the gauntlet, we risk being isolated and, if we do not, we risk being humiliated.

In the case of China, we can see quite clearly the domestic political situation that is determining her international aggressiveness. The Communist regime is insecurely seated. Having a foreign foe helps it to cement inner cohesiveness. And successful foreign adventures will demonstrate the regime's power to the Chinese people as well as to the people of neighboring countries. "Give up all hopes for a change in regime" —this is the slogan of the Chinese Communists, and to back it up they will demonstrate their military invincibility. They must humiliate the United States and reveal the alleged inferiority of the Western powers.

No Far Eastern Cease-Fire

What does this policy mean in terms of actual events in the Far East? It means that China is simply not interested in a real cease-fire or armistice agreement regarding Formosa and the islands in the Formosan Straits. It means that within the next few months we shall probably see more shooting actions in the waters around Formosa. It means that China will begin to make preparations for a direct attack against Formosa—but such an action may be postponed for a year or two.

I have been talking as if only one side made the policy and the decisions in this international conflict—as if the United States were only an object, and not also a subject. But of course America acts as well as is acted upon. In the face of this international situation—I am sure you want to know—what will be our aim and policy?

United States Policy and Aims

What America really wants would be a long-term peace settlement with China and Russia. This is what the Republicans want, what the Democrats want, what you want, what I want. The conditions I have described, however, are such that no long-term settlement is possible.

American policy would seem to be at a crossroads. On the one hand, we cannot have a real agreement. On the other hand, our allies are increasingly reluctant to be the tail of an American kite flying across the Pacific. Will we make pledges and then have to go it alone? Or will we make pledges and then back down?

Back down we cannot — Formosa, for example, cannot be forsaken, for American strategists are well aware that the attempt on Formosa is not the end, but only the beginning. Next will come Korea, Vietnam, Cambodia, Thailand, Burma, or the Philippines. And thereafter Japan, a rich plum in the Far Eastern constellation of industrial and military powers.

Peace is not possible. But all-out war is not necessary. The United States may be able to support its commitments without involving large forces in ground fighting. The Air Force, the Navy, and limited use of atomic weapons may be used to express our strength without totally involving us. And they may thereby facilitate temporary compromise solutions. New peace campaigns may bring new international conferences, at which long-term agreements will be sought. But no long- or short-term agreements will eliminate the jockeying for power, the moves and countermoves on the chessboard of the world.

Effects on the Domestic Economy

Let us now move a little closer to our ship and see what this picture of the international scene means in terms of the American economy.

It means that we as individuals are caught in a time of conflict and tensions and that we must recognize these conflicts and tensions in any evaluation we make of our national position, our industry position, our personal position.

The national economy will have to continue to sustain armaments production at about the present level. And, of course, we as businessmen know that the converse is true—that armaments production at about the present level helps to sustain the national economy. But we must not overestimate the economic importance of armaments production. Defense expenditures now stand at about 12.2% of the Gross National Product. It may go down some and it may go up some—it will continue to fluctuate over the years of the armed peace. It may go up some when we need to actively demonstrate our strength, when we need to counter aggressive moves made by the Communist bloc. It may go down some when temporary agreements are reached, when long-term agreements seem to be just around the corner. But the peace will always be only an armed peace, and our economy will have to be an armed economy.

United States Must Be Strong At Home

Two things need to be said about the relation of defense expenditures to the economy. And they both point to the conclusion that defense expenditures are not *the* decisive factor in our economic health. The first is that the minor

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Observations . . .

By A. WILFRED MAY

BUREAUCRACY AT THE CROSSROADS

Can the relatively unorganized taxpayer ever, under the democratic political system, prevail against the heavily entrenched pressure groups with their self-interest vested in our spawning political empires? Can Big Government, the great lean-to, with the unbalanced Budget ever be curtailed? Can we ever get rid of the implied slogan: "Economy for the other fellow"? Can the tide of mounting taxation, debt, and public apathy, critically threatening us as a self-governing democracy, be reversed?

A. Wilfred May

The answer to these crucial questions now lies climactically with the future disposition, by action of the Congress and the Executive Branch, of the glaring ills which are now being demonstrated by the Hoover Commission (*the Commission on Organization of the Executive Branch of the Government*). This time for decision and crucial test is here now both because of the stupendous job done by the Commission, and the unprecedented regard which it as well as its Chairman, our now-respected ex-President, are eliciting from the public.

The first Hoover Commission, which used an appropriation of less than $2 million, succeeded in introducing operating economies amounting to at least $1¼ billion annually. The present new Commission, in the nine reports issued thus far, indicates potential annual savings of another $1¼ billion, with Mr. Hoover's forecast of total yearly savings of $6 billion, enough to balance the budget in a quick jiffy—*providing that all the recommendations are adopted and effected.* (The law creating the present Commission carries these teeth: "The Commission may propose such constitutional amendments, legislative enactments and administrative actions as in its judgment are necessary to carry out its recommenadtions.")

Some "Birth Control" Needed

As Mr. Hoover pointed out before the National Industrial Conference Board last week, the current investigation operating along *functional,* in lieu of departmental lines, found, for example, that 71 agencies give medical aid; that 104 agencies devote part of their services to the making of loans, guarantees and insurance; and between 2,000 and 3,000 different units concurrently are in direct competition with private enterprise. It is attempting "the birth control of documents," in curtailing the 4,700 different varieties of questionnaires the government is now sending each year to the commercial world "and also to confuse plain people."

Obstruction

Highlighting the basic difficulty of his task forces, Mr. Hoover —in his fortunately new-found style—cites an "Aesop Fable," as follows: "Once upon a time the Commission on Reorganization of the Government said some restraining words affecting one of the 1,000 pressure groups represented in Washington. That pressure group said, 'We deeply respect your words. But it is only the other 999 pressure groups that are badly in need of reform and we will help you.' They said our appropriations are very necessary. Our Commission opined that they could spell the words 'very necessary' with less than nine ciphers attached to it. Their reply was, 'Our spelling is absolutely necessary to save the Republic'."

But it is far more than humor, wisdom, and integrity that the Chairman has brought to his task. This veteran, himself working on chapter and verse, has reduced 1,800 pages of the Task Force findings to 40 concise and readable sheets. His colleagues attest, as in THESE words of Clarence Francis, "His own example of tireless public service, so fully emulated by the Commission and its task forces, is an example to all. Who but Herbert Hoover could have provided the leadership and recruited the talent which make the Commission's reports so great?"

* * *

Will this unique effort be successful? Surely the answer holds the key to the continuation of the vitality of our free enterprise system, to the survival of our free enterprise system, and to the very workability of a democracy!

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RAY C. MOORE—*Mgr. Trading Dept.*

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York on May 23 opened its 73rd Greater New York branch at Queens Boulevard and 39th Street, **Long Island City,** and also opened enlarged modern quarters for its **Fordham branch** at 2481 Creston Avenue near Fordham Road. The Queens branch provides parking facilities for 44 cars. Fordham branch has expanded its floor area two-fold to meet increased demand. Manager of Queens Boulevard-39th Street is Stuart E. Cameron, formerly of Peoples Trust branch, Brooklyn. Thomas J. Finnegan is Manager at the Fordham branch.

* * *

Announcement is made that the 58,000 additional shares of capital stock of **Federation Bank and Trust Company of New York,** offered to the stockholders on a one-for-five ratio at $20 a share, was heavily oversubscribed. This, it was indicated on May 23, makes 348,000 shares of stock issued and outstanding, and total capital in excess of $7,200,000. In our issue of April 28, page 1992, the issuance and sale was announced of an additional 58,000 shares of capital stock of the bank at $20 per share. T. J. Shanahan is President of the bank.

* * *

Anthony Gerosa, Vice-President of the Metropolitan Roofing Supplies Company, Inc., and Vice-President of Gerosa-Paladino Corporation, has been appointed to the Advisory Board, Bronx and Upper Manhattan Division, of **Manufacturers Trust Company of New York,** Horace C. Flanigan, President of the Trust Company announced on May 20. Mr. Gerosa is a brother of Lawrence Gerosa, Comptroller of the City of New York.

* * *

C. William Borchers, Executive Vice-President of the **North Side Savings Bank, Bronx Borough, New York City,** has been appointed to the Advisory Board of the Bronx and Upper Manhattan Division of **Manufacturers Trust Company.** Mr. Borchers is currently serving as Chairman of the Greater New York Fund campaign in the Bronx.

* * *

Arthur T. Roth, President of the **Franklin National Bank of Franklin Square, Long Island, N. Y.,** announced on May 16 the completion of the consolidation of the **Nassau County Trust Company of Mineola, Long Island,** and the **Franklin National Bank of Franklin Square** under the name and charter of the Franklin National Bank, effective at the close of business on May 13. In making the announcement, Mr. Roth indicated that the combined resources now total approximately $390,000,000. William F. Ploch, Vice-President, will be in charge of the County Seat Office in Mineola. He will also be Chairman of the Trust Committee and Chairman of the Advisory Board. The first formal "Open House" observance was held at the Sea Cliff office on Saturday, May 21, at which time the public was invited to inspect the modernized building. The proposed consolidation was referred to in our issue of Feb. 24, page 936.

* * *

Directors of both The **Peekskill National Bank and Trust Company, Peekskill, N. Y.** and The **County Trust Company** on May 25 approved a merger agreement between the two institutions that bears the signatures of James Dempsey, Chairman, and David M. Barry, President, of the Peekskill bank and Andrew Wilson, Chairman, and Joseph E. Hughes, President of The County Trust Company.

Consolidation under The County Trust Company name and charter is expected to take place in about two months, pending approval of the merger agreement by state and Federal banking authorities and stockholders of both banks.

Under terms of the agreement, stockholders of The Peekskill National Bank and Trust Company will receive 10 shares of County Trust Company stock for each of their present shares.

Mr. Barry will be a County Trust Vice-President in charge of Peekskill operations. Upon completion of this proposed merger and those now pending with The Irvington National Bank and Trust Company and The Central National Bank of Yonkers, The County Trust Company will have 1,218,950 shares of stock outstanding and capital funds exceeding $20,750,000, with deposits of about $300,000,000.

Mr. Barry said, "The employees of the Peekskill National Bank, all of whom are expected to remain with the Bank, will have the same eligibility rights as all other County Trust employees for benefits, including pension, life insurance and profit sharing. Last year, County Trust's profit sharing plan equalled 13.52% of each individual's salary."

On April 30, 1955, The Peekskill National Bank and Trust Company had total assets of $7,148,047 and deposits amounting to $6,546,368. The County Trust Company, on the same date, had total assets of $288,644,757 and deposits of $265,190,502. Upon completion of its currently pending mergers, The County Trust Company will have 35 offices in 22 Westchester communities.

* * *

The merger of **The Irvington National Bank and Trust Company, Irvington, New York,** with **The County Trust Company, White Plains, N. Y.,** under the name and charter of the latter institution becomes effective on May 26, W. Barton Eddison, President of the Irvington bank, announced.

Under the consolidation, Mr. Eddison will serve as Chairman of the Associate Board of Directors, and David J. Condon, Cashier of the Irvington bank, will be Vice-President in charge of the Irvington office.

The merger will give The County Trust Company a total of 30 offices in 21 Westchester communities.

* * *

Over 80% of the capital stock of the **Farmers National Bank & Trust Company of Rome, N. Y.,** has been exchanged for shares of **Marine Midland Corporation** stock, according to an announcement made jointly on May 19 by Baldwin Maull, President of Marine Midland Corporation and by Carl H. Simon, Chairman of the Board and Charles W. Williamson, Jr., President of the Farmers National Bank & Trust Company of Rome. The stock was acquired in response to a proposal made by Marine Midland in a prospectus dated April 8, (referred to in these columns March 24, page 1430) to exchange five shares of its common stock for each share of Farmers National. Total assets of the Farmers National on April 11, 1955, were approximately $12,600,000 and deposits were in excess of $11,000,000. Completion of the transaction brings the number of Marine Midland banks serving New York State to 11. These banks operate a total of 140 banking offices in 68 New York State communities. Resources of Marine Midland Corporation, it is stated, are approximately one and three-quarter billion dollars.

* * *

The U. S. Comptroller of the Currency announces the issuance of a merger certificate approving and making effective, as of the close of business May 6, the merger of **The Athens National Bank, of Athens, N. Y.,** with common stock of $50,000, into **The National Commercial Bank & Trust Company of Albany, N. Y.,** with common stock of $3,000,000. The merger was effected under the charter and title of the National Commercial Bank & Trust Company of Albany. At the effective date of merger, the merged bank, it was stated, would have a capital stock of $3,000,000, in 150,000 shares of common stock, par value $20 each; surplus of $7,500,000; and undivided profits of not less than $1,000,000. The main office of the Athens National is to be known as the Athens branch of the enlarged National Commercial Bank & Trust Co. of Albany.

* * *

The sale of $1,200,000 of new stock of the **Hartford National Bank & Trust Company of Hartford, Conn.,** has served to increase the bank's capital from $8,800,000 to $10,000,000. The enlarged capital became effective May 18. The plans to increase the capital were noted in these columns April 21, page 1838.

* * *

George H. Brown, Jr., has been appointed Executive Vice-President of the **Girard Trust Corn Exchange Bank of Philadelphia,** it was announced on May 18 by Geoffrey S. Smith, President. Mr. Brown is in charge of the banking department. As Executive Vice-President, in the absense of the President and Chairman of the Board, he will perform the duties and have the authority of the President. Mr. Brown is a veteran of 32 years of service to the bank. He began his career at the age of 17 as a clerk in the transfer department. In 1931 he was transferred to the real estate division of the trust department and served there for 10 years, being appointed Assistant Real Estate Officer in 1932, Real Estate Officer in 1939, and Assistant Vice-President later that same year. In 1941, Mr. Brown was made Vice-President in the trust administrative division, and in 1949 he was placed in charge of the entire trust department. He remained head of the trust department until the spring of 1954 when he assumed direction of the banking department.

* * *

The State Bank of Dravosburg, at Dravosburg, Pa., with common stock of $75,000, was merged as of March 26 with the **First National Bank of McKeesport, Pa.,** which latter had a common stock of $1,800,000. At the effective date of consolidation, the consolidated bank reported a capital of $1,893,750, in shares of 189,375 of common stock, par $10 each, surplus of $3,106,250 and undivided profits of not less than $600,000.

* * *

The First National Bank of St. Paul, Minn., which increased its capital from $6,000,000 to $9,240,000 on April 18, by a stock dividend of $3,240,000, has made a still further addition to its capital, which, as of May 12, was enlarged to $10,000,000 by the sale of $760,000 of new stock. The previous increase in the capital was noted in our issue of May 5, page 2088.

With Smith & Co.

(Special to The Financial Chronicle)

WATERVILLE, Maine — Robert M. Tonge is now connected with Smith & Company, 193 Main St.

From Washington Ahead of the News

By CARLISLE BARGERON

Most of the time you never know the reason for the intensity behind political movements in this country. They originate, get underway and sooner or later have our politicians beating their breasts and swearing their undying allegiance to whatever is best for the people, but at the same time turning flip flops in the manner of a circus trapeze artist.

Carlisle Bargeron

A matter of burning interest in the past two years is the so-called Bricker Amendment to the Constitution which would proscribe the President in the willy-nilly making of treaties with foreign governments which override existing domestic law. Only the Senate passes upon treaties, not the entire Congress.

Senator Bricker of Ohio, author of the proposed amendment bearing his name, has stirred up a lot of scholars and internationalists but apparently I have been left cold, notwithstanding that I am inclined to think the Senator is right.

A part of the smear campaign against the Senator and his amendment was the recent story by a Washington gossip columnist to the effect that the real reason the Senator was pressing his amendment was that his duck hunting friends in Ohio were annoyed by the migratory bird treaty with Canada. Or, I thought it to be a part of a smear campaign.

But a few nights ago a very vehement Ohio industrialist solemnly assured me that the duck hunting situation in Ohio might very well be the genesis of Senator Bricker's proposed amendment to the Constitution and there was a very legitimate reason why it should be.

In my time I have talked with a lot of indignant citizens, those who wanted to rebel under the tax load, income and corporate; I have encountered their indignation in the matters of World War II, the Korean conflict, the growth of bureaucracy, the National Debt, the catering to labor unions, etc. But I have never seen a citizen, a worthwhile one, a tax-paying one, quite so indignant about anything as was my industrialist friend from Ohio on the subject of ducks, the killing of them, the rules and regulations regarding their being shot.

My friend assured me that it was idle talk of democracy behind the Iron Curtain, in Indonesia, in Asia generally, when a virtual reign of bureaucratic terror hangs over the head of the Ohio duck hunters.

Well, what are we up against, he asked.

"We are permitted a bag of four ducks a day," he expostulated. "That is all right. But what happens? This bureaucrat flies over the duck hunting country in a helicopter, and swoops down upon you at the most unwarranted times. Maybe none of us will have our bag of four ducks so this bureaucrat has nothing to complain about. But the law reads that you can't shoot a duck when it is en route 'to and fro' its feeding ground. This bureacrat will drop meal out of his pocket and swear you dropped it and it constitutes a feeding ground.

"In Ohio where we are great duck shooting lovers we have cottages out around the marshes. Say you are entertaining some of your duck hunting friends at one of these cottages over a week-end. This bureaucrat in his helicopter will swoop down upon you, declare you and your guests have been shooting illegally and order you to go home. Well, you get ready to go home and by way of breaking camp you throw your feed away. This bureaucrat then charges you with throwing this feed away with a view to enticing the ducks. Imagine *that* when you have been ordered to break camp and go home."

My friend assured me that he knew of no better evidence of the Police State than the experience of the Ohio duck hunters. If it can happen to us it can happen to you, he said warningly.

My friends said that the bureaucrat from whom they had hoped they would get relief under the Eisenhower Administration but hadn't, had been having a delightful time hauling duck hunters into court and having them fined $500. The duck hunters paid the fine, my friend said, because they didn't have the time, money or fortitude to fight it.

But finally the bureaucrat struck a determined duck hunter, his 75th victim. This fellow did fight it out in court, cost him $1,000 but he got a verdict.

Number 75 is now by way of being immortalized by the Ohio duck hunters. They've formed an association and aside from making a hero of No. 75 they have offered to supply a ducklet for every duck they kill.

My friend was down here, not to see about what the rest of us consider the problems of the times, but about this proposition of theirs, made with a view to getting out from under the "Police State," that exists, not the one that would come with Russia's taking us over. Their problem does seem more immediate.

With Federated Secs.

(Special to The Financial Chronicle)

BATON ROUGE, La.—Lester C. Anderson, Roy Bartlett II, Francis C. Cox, John N. Evans, Thaddius Honora, Harold R. Hustead, Charles M. Jordon, Clarence R. Knotts, C. V. McCollum; K. T. Phillips, Isidore Rozeman, Roy T. Sessums, J. A. Shepherd, and C. W. Sherrouse, Jr. are now with Federated Securities Corp., Louisiana National Bank Building.

Now Stewart, Eubanks, Meyerson & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—The firm name of Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the Los Angeles and San Francisco Stock Exchanges, has been changed to Stewart, Eubanks, Meyerson & Co. Matook R. Nissim has recently joined the firm's staff.

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Changing Deposit Trends, Branch Banking and Mergers

By MORRIS A. SCHAPIRO*
M. A. Schapiro & Co., Inc., New York City

Asserting bank mergers, subject to official approval, are a healthy development, bank stock analyst points out the reasons for recent activities in bank mergers. Says banks have been in a squeeze, due to impact of higher costs and higher taxation, and cites statistics showing that earning power of commercial banks is still low. Sees no danger of bank monopoly and says dual system of banking protects the public. Concludes, though public interest must be safeguarded, commercial banks must be allowed to make the necessary adjustments to strengthen their future as privately owned enterprises.

At a time of unprecedented economic activity, mergers and liquidations are reducing the number of commercial banks. Everywhere the question is asked — why? The charge of monopolistic intent is not an acceptable explanation. Merger critics have emphasized concentration of banking resources. The charge was made that the 100 largest banks today hold 48% of all bank deposits. According to the FDIC, the 100 largest commercial banks hold 46% of all commercial bank deposits. The critics who use this figure should also state, however, that in 1940 the 100 largest banks held 58%. In fact, despite the merger trend, there is today less concentration of deposits than before the war.

Morris A. Schapiro

Financial analysts know that a bank, like any other business, must earn enough to attract capital. They are neither lost in the political smog, nor beguiled by the tradition and prestige of banking. Properly, they insist on facts. Let us then seek the answer.

Wall Street in the Bronx

But, first, what are the most striking signs of this merger trend?

As all can see, throughout the nation big banking is becoming neighborhood banking. In New York City, where this development is perhaps most arresting, so-called "Wall Street" banks have been moving onto "Main Street." As one of many examples, in the active trading community at East 149th Street and Third Avenue in the Bronx, we find five banks which have head offices in Wall Street in competition with one another: Bankers, Chase Manhattan, Chemical Corn, First National City, and Manufacturers. National City established its branch in 1928. The merger trend brought the other four. These five banks now represent combined capital funds of $1,685 million. Individuals and their businesses in this Bronx community now enjoy the protection of large capital and the convenience of the most up-to-date banking facilities.

Let us take another example, the growing community of Flushing in the Borough of Queens. Here we find four of these Wall Street banks in competition, this time with capital funds totaling $1,493 million. The merger trend brought three to Flushing.

And again, in the North Shore Long Island area of Bayside, as a result of mergers, two of these big city banks, with capital funds of $748 million, are participating in that community's growth. Bayside is now getting metropolitan service.

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

The merger trend has released new competitive forces throughout the entire metropolitan area, bringing to people and their businesses more banking service at lower cost. Bank customers today find competition for their patronage intensified.

Banks in Squeeze

How did this come about? Like all other businesses, banking has been affected by rising costs and high taxation—factors inevitable in the financial inflation of our times. These factors are of special importance to analysts in weighing the investment significance of changing deposit trends, branch banking, and mergers.

Industry generally has met today's costs and taxes by raising prices. Commercial banks are unable to do so. The price of their product, money and credit, is influenced to the greatest extent by the decisions of the Treasury and the Federal Reserve authorities whose operations in the money market control its cost and availability. Within the limits thus set, nearly 14,000 insured commercial banks must compete not only with one another but with non-bank lenders as well, such as insurance companies, savings banks, savings and loan associations, pension and other funds, and individual and corporate lenders. The investment markets constitute, of course, a primary source of funds to large borrowers. Parenthetically, this vast and growing complex of non-bank lenders would be an impossible hurdle to overcome if commercial banks were seeking to create a money monopoly.

Actually, commercial banks are in a squeeze. This squeeze is tighter for those "wholesale banks" which lend money at rates that are most affected by the regulated money market. To work out of the squeeze, banks are forced to increase and diversify their business, and cut costs. To do this, they must reach a wider public, do retail business as well as wholesale, and give more service to more people at less cost. Wider operations make possible new efficiencies as larger volume and increased revenues justify modern equipment and, hence, ultimately lower unit costs. Small banks, for example, cannot afford expensive electronic equipment.

Branch Banking Basic

The same financial inflation which brought high costs and taxes also created the enormous expansion of bank deposits. At the same time, there has been a continuous diffusion of these deposits throughout the economy. The growth in deposit totals has been accompanied by a shift of funds into new areas of industrial activity and population expansion.

Social, political, and economic forces have resulted in a dispersion of industry and shift of population. Today, the distribution of our expanding national income is broader and this trend, too, has been marked by regional shifts in income. Small cities have become big ones, and, from all cities, there is a migration to the suburbs. From 1940 to 1953, the suburban population increased 67% compared with only 20% for the total population.

When people move, deposits move. Like other businesses, banks, too, must follow their customers. Branch banking has become basic in modern banking.

Mergers are an economical means of acquiring already-established branches. Mergers give the continuing institution broader public contact, increased deposits, enlarged capital funds, and diversification in operations and income.

Impact of Costs

In the last ten years, bank mergers have been a national phenomenon. Basically the trend has reflected the changed conditions under which banks are operating.

As financial analysts, let us examine the impact of rising costs on the operating figures for the years 1945 to 1954. First, we will consider the 6,639 Federal Reserve member banks outside New York City.

Operating costs, exclusive of income taxes, have risen from $1,052 million to $2,560 million, or 143%; deposits from $89 billion to $121 billion, or 36%.

Let us relate these facts to the total of loans and investments. We find that the average yield or rate of interest required by this broad group of banks on their total loans and investments, in order to meet their operating expenses and break even, has risen from 1.03% in 1945 to 1.90% in 1954.

Of course, this is an average picture. Those banks operating in marked growth areas have so far been able to do well largely because of their greater-than-average increase in deposits and, therefore, in total loans and investments. On the other hand, for those banks with less-than-average growth, the pressures of high costs and high taxes have been increasingly difficult to meet. The fact is that even smaller banks with strong deposit growth, doing a retail business, have generally done better than larger, heavily capitalized banks doing a wholesale business.

Understandably then, banks have turned to mergers as one solution of their problems. There have been 742 bank mergers from 1948 through 1954. Already 1955 has witnessed mergers impressive in both number and size.

Realignment in New York

This development is no more dramatically illustrated than here in New York City. The impact of costs and taxes on the changing banking situation falls hardest on banks in old metropolitan areas. Here in New York City, $2.8 billion, or 23%, of all member bank capital is concentrated and held by banks, traditionally banks of big business.

Again, let us examine the figures. Total deposits of the Central Reserve member group in New York City which averaged $27.7 billion in 1945 were off to $26.6 billion in 1954. In the same period, operating expenses of these banks rose from $216 million to $428 million, or 98%. What has been the impact on the break-even yield of this historically low-cost group of banks? We find that this critical yield, the yield required on total loans and investments in order to meet these expenses and break even, has risen from 0.53% to 1.20%.

The resulting pressures forced a major realignment of the city's banking structure through mergers and liquidations. Managements had to decide the question of tradition versus necessity and opportunity. They had to ask, "Are we to remain a blue ribbon bank serving a limited clientele or shall we cross the tracks and become a bank of little business as well as big business? Shall we continue to operate exclusively in the Wall Street 'jungle' making large loans to few borrowers at destructive rates or shall we broaden our sphere through branch operations and extend our services to a larger public?"

The reason bank shares were quoted in the marketplace at a discount from book values was, of course, their low earning power. This discount intensified the merger trend. Since merger values were higher than book values and hence much greater than market values, shareholders found merger proposals irresistible.

The membership in the New York City Clearing House Association has been reduced from 25 in 1946 to 15 today. The extent of these developments can perhaps be best visualized when we consider that the 10 which were merged had 177 banking offices, $8 billion gross deposits and $700 million capital funds.

Earning Power Still Low

Even now, after the eliminations, earning power of the continuing banks as a group is currently estimated at a rate of only somewhat more than 7% on their total capital funds. This compares with about 6½% in 1946.

Economies resulting from elimination of duplications, and new efficiencies, now possible because of mergers, are bound to affect future operating results favorably. Nevertheless, the ability of the large metropolitan banks to increase their earning power is

Continued on page 28

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Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Book on industrial opportunities—Dept. M., Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

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

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

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

Case for Bank Stocks—Including facts on 37 selected institutions—1955 Edition—Kidder, Peabody & Co., 17 Wall St., New York 5, N. Y. Also available is a memorandum on **P. H. Glatfelter Co.**

Changing Deposit Trends, Branch Banking, and Mergers — Reprint of an address by Morris A. Schapiro at the National Federation of Financial Analysts Societies' convention—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

Columbium-Ttantalum — Review — E. T. Lynch & Company, Dominion Bank Building, Toronto, Ont., Canada.

Fire-Casualty Insurance Companies—A performance record of 50 companies and their capital stocks—brochure—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

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.

New York City Bank Stocks—comparative figures as of March 31, 1955—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Oil Profits—Bulletin—Peter P. McDermott & Co., 44 Wall St., New York 5, N. Y. Also available is a bulletin on **1955 Railroad Profits.**

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 Shares—22 favored selections—survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Steel—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide St., West, Toronto 1, Ont., Canada.

* * *

Allied Stores—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Victor Chemical Works**, and **West Penn Electric.**

Baltimore & Ohio Railroads—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

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

Bowater Paper Corp., Ltd. — Bulletin — Standard Investing Corporation, 40 Exchange Place, New York 5, N. Y.

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

Chespeake & Ohio Railway Co.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Cleveland Trencher Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a memorandum on **Pittsburgh Plate Glass Co.**

Consolidated Paper Corporation Limited — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

Crown Cork & Seal—Analysis—Boettcher and Company 105 East Pikes Peak Avenue, Colorado Springs, Colo.

Curtis Companies, Inc.—Card memorandum—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

East Tennessee Natural Gas Company—Analysis—Clark, Landstreet & Kirkpatrick, 315 Fourth Avenue, North, Nashville 3, Tenn.

Federation Bank & Trust Company — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

General Gas Corporation—Report—Cohu & Co., 1 Wall Street, New York 5, N. Y.

General Shoe—Analysis—J. C. Bradford & Co., 418 Union St., Nashville 3, Tenn.

Mead, Johnson & Company — Analysis — Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Merrill Petroleums, Limited—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a report on **Holly Corporation.**

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

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

New Jersey Natural Gas Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Noranda—Analysis—C. M. Oliver & Company, Ltd., 82 West Hastins Street, Vancouver 1, B. C., Canada.

Chas. Pfizer & Co., Inc.—Bulletin—Francis I. du Pont & Co., 1 Wall StrET, New York 5, N. Y. Also available is a list of 40 stocks which have reacted.

Riddle Airlines, Inc.—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Sherwin Williams Company — Report — Reynolds & Co., 120 Broadway, New York 5, N. Y.

South American Gold & Platinum Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Southwestern States Telephone Co.—Review—R. M. Horner & Co., 52 Broadway, New York 4, N. Y.

White Eagle Oil Co. — Analysis — Hill, Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

NSTA Notes

BOWLING DINNER JUNE 2, 1955 AT THE ANTLERS
CONTACT SIDNEY JACOBS

SECURITY TRADERS ASSOCIATION OF CONNECTICUT

The Security Traders Association of Connecticut will hold their annual summer outing at the Woodbridge Country Club, Woodbridge, Conn. on Friday, June 3. Tariff will be $12 per person. Scheduled are golf and tennis with cocktails at 5 p.m. and dinner (steak or lobster) at 7 p.m.

Members of the Arrangements Committee are: A. Mauritz Johnson, G. H. Walker & Co., Bridgeport, Chairman; Leslie Swan, Chas. W. Scranton & Co., New Haven; William Rybeck, Wm. H. Rybeck & Co., Meriden; Thomas Melia, R. F. Griggs Co., Waterbury; Rudolph Knablein, Hincks Bros. & Co., Inc., Bridgeport; John Graham, G. H. Walker & Co., Hartford; and Joseph Shure, Bache & Co., New Haven.

COMING EVENTS

In Investment Field

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, 1955 (New York City)
Women's Bond Club of New York luncheon meeting.

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.

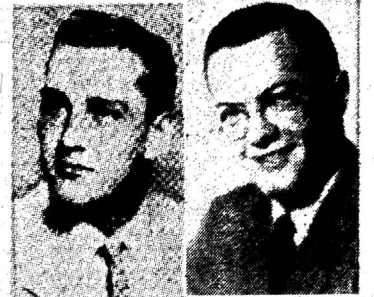
June 3, 1955 (Connecticut)
Security Traders Association of Connecticut annual summer outing at the Woodbridge Country Club, Woodbridge, Conn.

June 3, 1955 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at Huntington Valley Country Club, Abington, Pa.

June 6, 1955 (Philadelphia, Pa.)
Bond Club of Philadelphia luncheon meeting at the Barclay Hotel.

MacNaughton & Co. Appoints Two Officers

GRAND RAPIDS, Mich.—MacNaughton, Greenawalt & Co., Michigan Trust Bldg., members of



R. S. Greenawalt, Jr. J. D. MacNaughton, Jr.

the Midwest and Detroit Stock Exchanges, have just announced the appointment of John D. MacNaughton, Jr. as Treasurer and H. Samuel Greenawalt Jr., as Secretary of their company.

This company has been in the investment banking business in Grand Rapids for nearly 30 years and is the oldest locally owned firm in Western Michigan.

John D. MacNaughton Jr., son of John D. MacNaughton, President of the company, came with the firm in 1946 after serving in the Armed Forces for about four years. He is married and has three children. Before entering the service, he attended Grand Rapids Junior College and the University of Michigan. He is a member of Grand Rapids Rotary, the Knights of the Round Table, York Lodge F. & A. M., Blythefield Country Club and Park Congregational Church. He is also very active in political and civic affairs.

H. Samuel Greenawalt Jr. is the son of the Vice-President, H. Samuel Greenawalt. He is a graduate of the Wharton School of Finance, University of Pennsylvania, Class of 1951 with B.S. degree in Economics. He served as a 1st Lieutenant with the First Marine Division in Korea, and received the Purple Heart for wounds received in action near Outpost Vegas in 1953. He came with the company in 1953. He is a member of the Grand Rapids University Club, Blythefield Country Club and Kent Country Club, Grand Rapids Rotary Club, York Lodge F. & A. M., Sigma Chi Alumni Club, Fountain Street Church and Western Michigan Football Officials Association. He won his Varsity football letter two years as center on the Pennsylvania football team in the years 1949 and 1950.

Bond Club Exchange Offer Oversubscribed

The Bond Club Stock Exchange offering of 2,500 shares has been oversubscribed and the books closed, it was announced by Gilbert H. Wehmann, White, Weld & Co., chairman of the committee in charge of the issue. Trading in the shares will be a feature of the Bond Club of New York Field Day at the Sleepy Hollow Country Club on June 3.

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The Anatomy of Bond Prices

By ELIZABETH ELLSWORTH COOK*
Publicity Manager, Hemphill, Noyes & Co., New York City

Miss Cook discusses the various factors which influence prices of municipal bonds. Explains the yield curve and the interplay of short-term and long-term interest rates. Points out that revolutionary political ideas introduced in 1933 have produced profound changes in both the demand for and the supply of bonds, and have resulted in greater demand for bonds by institutions and reduced demand by individuals. Points out tax-exempt bonds are demanded by a limited number of investors. Describes the course of municipal bond prices since 1933.

What fixes the price of a municipal bond? The money market? Demand and supply? Yes, those six words define the area of search, the haystack within which the shining answer may be found. The prices of municipal bonds are fixed by demand and supply within the money market.

Elizabeth E. Cook

And since "credit is the life-blood of the economy," the money market is the whole circulatory system. Within it the market for tax-exempt bonds is only the last branching off of capillaries at the end of one artery. Nevertheless, the funds borrowed through the sale of bonds of local governments and Authorities contribute to the "body-economic" in a small but important way, and their prices are influenced to some extent by every other use of credit.

It is not possible to understand municipal bond prices at any particular time without considering the relation of the money supply to the demand for credit from the Government, from farmers, from the construction industry, from the automobile industry and all other business borrowers, from mortgage borrowers, from instalment borrowers, and from speculators. And then it is necessary to know whether the money supply is being increased or decreased either by the natural ebb or flow of business, by change in velocity, or by official financial or political policies.

The Yield Curve

Another most important consideration is the trend of the yield curve, i.e., the incipient changes in the relationship between the yields of short and long maturities. It would be unwise ever to overlook this price influence, but it is not necessary to discuss it here. The subject is covered clearly and concisely by Robert Van Cleave, Assistant Vice-President of C. F. Childs & Co., in his "Review" of April 11, 1955. Suffice it to say that sometimes short-term interest rates are lower than long-term, sometimes they are higher. These figures from Mr. Van Cleave's article illustrate the point:

	July 1929 %	April 1946 %
Call Money	*9.41	1.00
Treas. Bills (90 days)	none	0.38
4-6 mo. Com. paper	6.00	0.75
Long Treas.	3.64	2.08
Aaa Corp. bonds	4.77	2.46

*Average.

Before 1930 short-term rates usually had been higher than long-term. But the old pattern was changed, first by the depression which reduced short-term borrowing to the minimum, then by a heavy influx of gold (between 1933 and 1941) which swelled the money base, and finally by the war-time theory that interest rates must be kept low for the benefit of the Treasury.

In recent months long-term rates have changed very little but short-term rates have been rising. For example, new Housing Authority bonds maturing one to 40 years in the March, 1954, sale were priced 0.75% and 0.80% to 2.45%-2.65%, but similar maturities of the recent issue, on April 13, 1955, were offered at 1.00% to 2.55%. The yield curve has flattened somewhat. Possibly there is a long-term trend toward the old pattern.

Private Investor Demand

The revolutionary political ideas introduced in 1933 have produced profound changes in both the demand for and the supply of bonds.

The wish of private investors to own bonds was first impaired by the nullification of the gold clause, which for two generations had reduced the risk of such obligations to that of the solvency of the debtor. Then, as inflation progressed, the preference of investors swung from fixed-income, fixed-principal debt obligations to stocks which could at least reflect the waning value of the dollar by being worth more paper dollars. The die-hard conservatives, who still wanted the "promise to pay," were finally discouraged by the official low interest policy which reduced the return from bonds below what they could accept.

Today, "balanced fund" investors include bonds in their portfolios, and no doubt there still are some private investors who buy corporate bonds.

Relatively few persons buy general obligation municipal bonds for themselves, but large amounts are bought for their benefit by the trust departments of banks. Many old trust instruments restrict purchases to "legals," among which the trust departments choose tax-exempts to give the beneficiaries a "spendable" income better than they would have left from corporate bonds after taxes.

The newer types of tax-exempt revenue bonds are bought by private investors for income (or speculation) because many of them yield as much as corporate bonds of similar grade. These include turnpike and various other let-the-user-pay issues, invented to meet the wish of communities to enjoy special facilities without having to pay taxes for them or, as in the case of School Authorities, to circumvent legal limitations of debt.

Institutional Demand

But, increasingly over the last 20 years, the demand for bonds of all kinds has been from institutions, which are themselves obligated to pay out only fixed amounts of dollars regardless of their value.

Institutions take a greater proportion than formerly of all new bonds other than Governments. Also the enormous increase in their purchases, in dollars, has enabled local governments, Authorities, and corporations to market an annual volume of bonds, more than four times as great as 20 years ago.

Increased Supply

The supply of bonds put out by corporations has been enormously increased by the Federal tax structure. The excess profits tax made it impossible for many companies to finance by stock issues because they could not pay attractive dividends. And the continuation of the high tax on corporate profits makes it advantageous to secure new money from bonds, the interest on which is deducted before taxes.

(An issue of $10,000,000 of 4% bonds costs a company $400,000 annually for interest charges before taxes. To take care of $10,000,000 of 4% preferred stock, it must have $833,333 of profits, to pay the 52% tax of $433,333 and leave $400,000 for dividends.)

The large increase in the yearly output of tax-exempt bonds can be accounted for chiefly by the astonishing growth of population and the shifts of population brought about by the wars, by the trend toward the cities and now away from them, and by the development of new industrial centers. Also it has been augmented by the number and cost of services demanded from local governments, now that the concept of the welfare state is generally accepted. The annual crop of Authority and other "voluntary" issues has been fertilized by easy money and may perhaps be curtailed in any period of stiffer borrowing rates.

Specialized Demand

The demand for tax-exempt bonds comes from a limited number of investors not any of whom, except certain public funds and specifically restricted trust funds, are compelled to buy municipals if they see a better bargain in some other form of debt paper. Every new issue must compete with at least a few other forms of investment — with Government and corporate bonds, mortgages, commercial paper, bank loans, or even with stocks. And of course each municipal issue competes with others of its own type in its promise of safety, return, and marketability. With many investors the one distinguishing advantage, exemption from Federal income taxes, can be outweighed by a larger apparent or after-tax yield or by the prospect of a quick profit.

Also the demand for tax-exempt bonds, or for certain maturities of them, can be ballooned or collapsed by a change in official policy. But the supply of state, municipal, and Authority bonds is arranged months in advance. Issues may be withdrawn or they may not get a bid, but they can't be made over to fit a sudden change of preference on the part of the buyers.

We, members of this group, can and do talk endlessly about the internal features which influence the prices of municipal bonds, comparing their ratings, their credit, their scarcity, their popularity, the trend of their financial strength. Then, descending from our marble 21st floor, we look at the other fellow's world — steel production, department store sales, the willingness to borrow. We try to guess what Congress may do. We discuss the next Treasury financing, and study the weekly bank statment to see what the Fed is doing. But, when we have learned all we can and have pondered what we have learned, there still remains that unpredictable element of psychology, inseparable from anything with which human beings are concerned.

What the Chart Shows

With all these intimate price hazards in mind and remembering the stock market crash of 1929, the long depression, wars, inflation, the cold war, and the full employment act, it still is startling to see on the chart that the Bond Buyer's Index of twenty 20-year municipal bonds has ranged from 5.69% on May 1, 1933 to 1.29% on Feb. 14, 1946 to 2.40% on April 29, 1955.

The path traced over the years by the several municipal bond averages is dramatic, but it is only a mild reminder of what happened. The real market at any time, the current demand for actual supply, is recorded by the scales of the new issues as they come along. No group would think of basing its bid on an average.

However, since there is no feasible way of charting new issue prices, the story has to be hung on an average. And an average is a listless thing to link with the events which have made and lost men's fortunes and their careers. Where the average droops, prices may have been slashed in desperation. A slight recovery on the chart may record a boiling market. And then again there are dull periods when the average tells as much as there is to tell.

Following the average and recalling the past, it is clear that the nature and the volume of tax-exempt issues have been internal determinants of price. But also in the course of the past 25 years municipal bond prices have been powerfully affected by taxes, by political ideas, and by influences, unconnected with their intrinsic merits, which in the aggregate can be called the money market.

1933

On May 1, 1933 municipal bond prices sank to their lowest level. This gloomy event was entirely logical and of little interest except to those immediately concerned.

The low of stock prices had been passed in June of the previous year. Industrial production turned up timidly from July 1932. Recovery was hampered by widespread bank failures and the solvency of all banks was finally called into question by the bank holiday, March 7-12, 1933, declared by President Roosevelt as one of his first official acts. By May of 1933 industrial recovery was beginning in its slow old-fashion way. Companies with courage and credit-worthiness were borrowing in anticipation of better days ahead and were paying good stiff rates. Moody's average yield of 120 corporate bonds from triple A to triple B was nearly 6½%.

The money supply, i.e. all bank deposits and currency, had declined from $55,776,000,000 at June 30, 1929 to less than $43 billion on June 30, 1933, a drop of 23%.

Continued on page 30

*Paper presented by Miss Cook to the Municipal Analysts, New York City, April 29, 1955.

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(Philadelphia Plan)

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1957	2.65	1962	3.10	1967	3.125
1958	2.80	1963	3.10	1968	3.125
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1960	3.00	1965	3.10	1970	3.125

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May 26, 1955.

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How to Fear Prosperity

By GEORGE W. COLEMAN*
Economist, Mercantile Trust Company, St. Louis, Mo.

Mid-Western bank economist reviews current economic situation and finds business trend is "extremely favorable at the moment." Points out, however, that some economic developments, such as the decline in farm income and the rapid growth of indebtedness, are not altogether satisfactory. Holds the expansionary movement is likely to go on for some time, although the rate of increase will undoubtedly diminish. Concludes situation bears watching and "in one stage of the business cycle it is wise to prepare for the next."

I do not know how many professional economists are in my audience but I am certain that there are a great many amateur ones. Unfortunately, the forecasting indulged in by the professional economists is always on the record. The mistakes which they make are always compared unfavorably with an accurate forecast which some amateur has made. It should be realized that the difference between the amateurs and the professionals is not as great as the professionals would like to believe. Every businessman in this room is an amateur economist and he uses certain guides to forecast the trend of business activity in order that he can buy inventory, plan advertising and selling programs, and make capital expenditures. He uses guides familiar to him. Some people use weather cycles. One of my doctor friends who is a psychiatrist forecasts the trend of business activity by noting the number of his patients who are unemployed. He has a pretty good index, according to his own judgment, because he deals with marginal people who are the first to lose their jobs. The techniques used by the amateurs not infrequently yield extremely good results and it is frequently possible to make invidious comparisons with the forecasts given by professional economists. The professional economists normally base their forecasts upon the study of a much larger number of statistical series, surveys, reports and historical comparisons.

George W. Coleman

Business Trend Extremely Favorable

Regardless of the standards which you may use, it must be indicated that the trend of business activity at the moment is extremely favorable. The total production of goods and services in the economy is undoubtedly at an all-time high. Unemployment seems to be decreasing, although there are certain distressed areas, especially in the coal fields of West Virginia and southern Illinois. The trend of prices is relatively stable, resulting from a balance between the decline in agricultural commodities and the increase in industrial commodities. Personal income is now at a level of $295 billion, and disposable personal income — the amount left over after taxes have been paid—is at an annual rate of $260.5 billion. These figures are at all-time highs.

The sale of automobiles to individuals is running at phenomenally high rates, and I have been told that some of the economists in the motor car industry are attempting to explain not how many cars are going to be sold, but why they are selling so many cars. The stocks of cars in the hands of dealers are probably now close to 800,000. One reason for this is that dealers have been required to carry more types of cars because buyers want to take advantage of the different color combinations offered. Those people who bemoaned the fact that the mass production industry was destroying individuality should take a new look at the color combinations now selected by buyers for new models. The current high level of income would seem to indicate that, although sales will be lower in the second half of the year, we may come close to breaking the all-time level of sales reached in 1950. Some people believe that we may sell seven million automobiles in the current year, although I am somewhat more skeptical.

The home building program is continuing at an extremely high rate. There is apparently little restraint offered by a scarcity of mortgage money, and it would appear that a high rate of housing starts will be maintained during the remainder of the year because the level of contract awards is so high currently. The F. W. Dodge Corporation indicates, for example, that residential construction contract awards in March amounted to almost $1 billion which is the highest month ever recorded. Mortgage lenders have made commitments to builders which will maintain this high level.

There is some skepticism about whether the housing boom can be maintained. It has been widely observed that new housing starts are running at a rate almost double the estimated rate of family formation. It should be pointed out that there is some danger of a statistical discrepancy in the rate of family formation, but it is also important to know that the figure quoted is for non-farm housing starts. Inasmuch as there is a substantial movement of families away from farms into the cities, it may be that the demand for non-farm housing units is increasing.

There are other reasons for suspecting that the level of housing starts may not be too high. In the first place, families are increasing in size. More than four million babies were born last year and statisticians indicate that the number of children per family is increasing. This requires bigger houses. It should also be pointed out that the average family moves three or four times and this migration is also providing demand for homes.

One of the most important factors in determining the trend of business activity is the level of expenditures for plant and equipment which are to be made by the business community. These expenditures declined last year from the peak reached in 1953. The decline amounted to about 3% and initially it had been expected that a further decline would take place in 1955. The vigor of the recovery movement, however, has brought about an upward revision of these figures, and it is now expected that 1955 will be the year in which capital expenditures will surpass the level reached in 1953. These expenditures are important because they reflect the anticipations and plans of business men who make up the most important sector of the economy.

Some Economic Developments Not Altogether Satisfactory

As was stated initially, the picture is indeed a rosy one, and one has to look fairly hard to find points of weakness. There are, however, economic developments which are not altogether satisfactory. Farm income is expected to decline still further in the current year, although on a per capita basis it may be more stable. This decline is due in part to the fact that farm prices are slowly declining. According to available indices, the Corn Belt is suffering relatively larger decline in income than some other regions because hog prices are at lower levels now than they were one year earlier. It should be pointed out, however, that the decline in farm income will still leave the farmers in a relatively sound net worth position. For those who argue that we may have a depression as the result of the decrease in farm income, it might be well to point out that, while it is still an important part of our society, agriculture is not as important relatively as it was in 1929.

There is also another reason for feeling some concern about the economy. Durable goods, non-durable goods and houses are being sold to consumers on the basis of "so much down and so much per month." The debts are all to be amortized; the consumer is mortgaging his future income. Some idea of the size of the consumers' debts can be gained from the fact that instalment sales credit now totals $23 billion. In the month of March alone there was an increase of almost $425 million for automobile purchases. Since the rate of selling has increased in April, it is probable that another increase will be reported. At the end of the year, mortgage credit on homes was believed to total about $77 billion, a large part of which is being amortized monthly. There are people who are concerned because these obligations represent such a large portion of personal disposable income. It is felt that buying will slow down in the future while individuals liquidate their obligations.

The experience with amortization of outstanding consumer obligations during the Great Depression of 1929-33 was excellent. Indeed, one authority has stated that, in terms of loss, consumer credit loans were safer than money in the bank. However, as the volume of instalment credit increases, it may not be so safe. This is especially true if, in order to make sales, individuals in the lower income groups are being encouraged to obligate too large a portion of their incomes. Under these circumstances, unemployment or even temporary seasonal shutdowns which lead to unemployment could provoke a rash of defaults with disastrous consequences. If this were to occur, the next depression might be referred to as the Amortization Crisis.

It is not my purpose to try to imply that such a depression is under way, because it seems almost certain that for the next six months there will be no sharp decline. The difficulty of saying this with any degree of certainty, however, is emphasized by the fact that six months ago most analysts foresaw no increase of the vigor and magnitude which we are now experiencing. This fact alone should give the amateur and the professional alike some hesitancy about making even short-range forecasts. Sudden changes, such as the ones we have experienced, could reverse themselves just as quickly.

Can the Rate of Growth Be Sustained?

One of the important aspects to be considered in examining the possibility of business remaining at this level is the fact that it has grown at a relatively rapid rate. In the language of the professional economist, this is referred to as a "sustainable rate of growth." Like most concepts that are clear and obvious, this one is difficult to define precisely paradoxical as this may seem. It is, I think, obvious to all of us that the economy can grow at a rate over a short period more rapidly than can be sustained over the long period. More productive capacity can be added, more facilities constructed, more equipment built than can be used under conditions of normal growth. Normal growth is also a difficult concept to define, but studies indicate that the economy has grown at a rate of about 3% per year over the last several decades. Without giving a precise definition, it is clear that a rate of growth of about this figure will be required in order to maintain and raise the standard of living for an increasing number of persons. A rate of growth substantially above this figure over a long period of time may result in a sharp decline in production later. Such a rapid rate of growth would probably be accompanied by speculative excesses in building, inventory accumulation, new construction and other activity.

Such a rapid increase might very well be financed by an excessive expansion of credit, and the monetary authorities of the country have set themselves to the task of attempting to limit a credit expansion of that magnitude. It must, therefore, be realized that the persons who make forecasts of rapidly expanding business must take into account the policies being followed by the monetary authorities. It is their task to attempt to curb dangerous excesses.

It is almost always possible to criticize unfavorably and to disparage the actions of the monetary authority, which in this country is the Federal Reserve System. It must, however, be remembered that it is their task to attempt to curb inflationary excesses and this is never popular. But the consequences of speculative excesses have never been popular either, and it is by attempting to skim off some of the boom that they hope to lessen the severity of the depression which normally follows.

There are, of course, critics of this monetary policy who say that it cannot be done or that there are no men intelligent enough to attempt it. It may well be that it cannot be done perfectly, but even an imperfect performance may be preferable to the tremendous deflationary crises which this country has suffered. A far more basic criticism rests in the fact that there is a danger of over-emphasizing the importance of monetary policy in maintaining a high and stable rate of growth. While it is an important factor, it is not the only factor to be considered.

It is necessary, therefore, to consider whether or not we are **growing** at a rate that is sustainable and whether or not we have **reached** a level that is sustainable. This does not mean, it should be emphasized, that there will be no declines; it means simply that there will be no severe declines. Certainly, few people can complain of the declines in industrial activity which took place in 1948-49 and 1953-54. It was apparent in the 1920's that we were growing at much too rapid a rate. Excess capacity was being created rapidly and one of the consequences of that policy was the severe depression of the 1930's. It may be necessary again to examine our current rates of growth to determine whether they are sustainable.

About Severe Depressions

Finally, a word or two about severe depressions may be in order. I do not know whether history repeats itself, but in the past, great wars have been followed by severe depressions. As yet we have undergone no severe post-World War II depression. Our economy has been sustained by the "pent-up" demand from consumers and by the Korean War. It is relatively clear that the "pent-up" demand has been satisfied and Federal expenditures are declining from the level reached in the Korean War. We have spent tens of billions of dollars in adding new equipment to our factories in the last 10 years and we may be coming to the end of that process of expansion. The conditions for the traditional post-war depression could exist at almost any time, but that is not to say that I am forecasting any such decline. What I am attempting to do is to remind all of us that they have occurred in the past and they may occur again.

Great store is set by the fact that we have developed built-in stabilizers to curb depressions and it must be admitted that they have been remarkably successful in the two postwar recessions. Unemployment insurance, tax relief, public works, monetary policy all work together to maintain aggregate demand in the face of declining employment and industrial activity. The record of success in the two postwar recessions is one of which this country can be proud. It is, however, equally important to remember that these techniques have not been tried in the case of a severe business depression and how effective they will be in such cases remains to be seen. Theoretically, they should work relatively well — but much remains to be seen.

There is one point which I think should be emphasized in this discussion and that is the factor of population growth. Much has been said about the fact that the continued growth of the population will be an important factor in maintaining a high level of business activity. It should be emphasized, however, that this will be true only if per capita real income is maintained or increased, and this does not follow automatically from an expansion in the population. If it did Asia with its population of hundreds of millions would be substantially more wealthy than the rest of the world. As you know, they live just above the starvation level.

Summary

In summarizing this speech, it would appear that emphasis has been given in this period of prosperity to the factors that might cause business to turn down. It might well be regarded as a short course in how to fear prosperity. Emphasis has been given to the factors which might lead to a decline because the amateur and professional alike, who attempt to forecast business activity, must watch any one stage of the business cycle for the appearance of those factors which are likely to lead to the next stage of the business cycle. It is, in fact, a way of taking stock about what might occur.

To reiterate, immediately the outlook remains favorable; apparently the expansionary movement is likely to go on for some time, although the rate of increase will undoubtedly diminish. To have stressed, as I have, some of the weaknesses which may appear is not to exhibit any less confidence in the business picture. It is just an effort to hold the economy in perspective. There is a maxim in military science that "in times of peace prepare for war." While the science of economics has few maxims, one might well be coined: "In one stage of the business cycle it is wise to prepare for the next."

*An address by Dr. Coleman before the Rotary Club, Quincey, Ill., May 10, 1955.

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Economic Expansion Through Saving and Capital Formation

By ARTHUR R. UPGREN*
Dean, Amos Tuck School of Business Administration
Dartmouth College, Hanover, N. H.

Dean Upgren points out that because of rise in individual incomes, American families not only spend more but also have been enabled to maintain sustained savings programs, thus increasing funds for capital formation. Calls consumer credit a "savings plan starting from a negative position," and holds, if there is to be economic expansion, there is going to be debt expansion.

The remarkable difference between our modern industrial economy of today and the economies of the preceding 40 centuries is that we have placed an abundance of tools, equipment and horse-power in the hands of the working man, greatly enlarging his output, productivity and standard of living.

Arthur R. Upgren

From that enlarged output we also secure a margin of income above subsistence. That margin is savings and this is always the theme of these meetings of the National Association of Mutual Savings Banks.

We recently read in a remarkable book by the editors of "Fortune" magazine that we have millions of American families who have marched across the $4,000 family income level in the past 10 years and there is now a rising tide marching across the $5,000 income level. Only two weeks ago in another excellent probing of our economic future, the Twentieth Century Fund told us that by 1960 average family incomes will be well in excess of $6,000.

Beginning with passage across the $4,000 income level, American families begin to experience for the first time the joys of "discretionary spending" and the ability to have sustained savings programs. The **discretionary** spending by families involves the purchase of durable goods, and of course, it carries with it the potential for inducing great economic expansion and likewise for causing great economic contractions.

The capacity to save in the United States has been remarkable despite great progress even toward an absolute equality of income distribution. I think a word of caution should be sounded here. In reporting a few years ago to the National Bureau for Economic Research, its Chairman, Dr. Arthur Burns (now Chairman of the President's Economic Advisory Council) showed that from 1929 to 1947 we in the United States had moved 55% of the way toward absolute equality of incomes. It is in the United States, not in Russia or other Communist countries, that we have seen the greatest "social revolution of all." It is this process of progressive income tax, low interest rates, and for a while, rent control, which sheared off most high incomes like the $23 million untaxed income of Andrew Carnegie in the year 1900. The shearing-off process actually lowered, in the 20-year period after 1929, the average incomes of the richest 5% from $13,500 to $8,994.

This leveling of incomes has given us the massive markets in the United States which have made our business system and our business performance in the last 10 years the envy of all the world and the greatest guardian of the freedom of the western world.

From it we have won a wide distribution of the ownership of the good things of life.

Despite this leveling of income, the savings of the American people have been extremely well sustained. They have also become increasingly institutionally-directed. Probably today at least two-thirds of all personal savings is in conformity with some family or worker plan for saving involving such things as payroll deduction, repayments of debts, purchase of investment securities, particularly stocks on either monthly investment plans or by purchase of investment trust securities. In addition to these, there should be included savings represented by old-age pension reserves. Perhaps soon we shall have reserves accumulated in the annual fund—the trust fund accumulated for this purpose—to pay whatever proportion of the guaranteed annual wage which may be agreed to in future collective bargaining contracts. I put this matter in this way because while we certainly cannot expect to have any fully guaranteed annual wage for major industries, we probably shall have some development of increases in labor compensation flowing into funds to begin a modicum of payments, over and above unemployment compensations, to meet such payments as such funds only can make along the lines of an agreed beginning of a modified guaranteed annual wage program.

I have given these details of the way in which the American people choose to save today. This was recently comprehended by a large eastern bank which developed a system of borrowing rather akin to a revolving credit for the consumer wholly comparable to revolving credit for a business.

It was in Denmark that the nature of such use of consumer credit was best explained to me. The Danes, who are thoroughly conversant with our plans, which are not in effect in Denmark, proved to me that savings are higher with a consumer credit plan than without one. In fact, a plan for the use of consumer credit is really a "savings plan starting from a negative position." Such a savings plan is purposeful because it is tied to the purchase of goods.

Economic Expansion

When we now turn to economic expansion, such expansion involves a larger development of all kinds of goods and services. Several estimations have recently been made of the possibility of such economic expansion in the next 10 years. The most widely-known and respected estimate is that of President Eisenhower which was first made in a public address delivered on Oct. 27 of last year. This estimate President Eisenhower repeated in his Economic Report of the President made to the Congress in January of this year. In that address he said: "Our country can within a decade increase its production from a current annual level of about $360 billion to $500 billion or more, with the figures expressed in dollars of the same buying power." Then in words well reflecting the character of the President, he added ". . . A glorious economic future may be ours but it is not vouchsafed to us. We shall achieve it only by wise management of our national household."

Such a rate of expansion, as a matter of fact, is only equal to the rate we have enjoyed in the last 10 years, even after boiling out the price advance contained in the total dollar amount of our economic expansion since 1945. Again boiling out price advances since 1948 (when they have been of a minimum character) we have had economic expansion at the annual rate of $17 billion for the last six-year period.

I do not need to explain to bankers that such expansion **must be financed.** The financing can come either from savings of a positive character or from what I like to call savings by a savings plan that starts from a negative position. The latter is a pleasant description of debt. In other words, all of our expansion must be financed either by first saving money (the less popular way), or by borrowing money (the more popular way) which someone else has saved. But the savings of "someone else" can be the savings represented by amortized payments on a previously incurred debt made by someone else.

Economic Expansion Means Debt Expansion

All this may be clumsily said, but I hope it proves that if there is to be economic expansion there is going to be debt expansion. It is true we have a choice as to where we may have the debt expansion take place. In fact, we have chosen since 1945 to have our own publicly-held Federal debt actually diminish and our private debt greatly increase.

In fact, we have an instrument of automatic built-in flexibility really to assure that one or the other of these forms of debt—public or private debt—is certain to grow. That instrument of built-in flexibility in the American economy is our income tax structure. That income tax structure assures that, as there is forward economic expansion and the national income thus rises, tax revenues will grow more than apace to produce a fully balanced Federal budget. In fact, since 1945, we have had more years of surplus in our national budget than years of deficit in it. The total budget surpluses have exceeded the total budget deficits in that 10-year period.

But should there be economic **decline** instead of expansion, total tax revenues will fall far more rapidly than the total Federal expenditures, thus enlarging the Federal debt. In addition, the economic decline may bring a cessation to the increase in private debt. In fact, the economic decline may be characterized by some net repayment of debt as the late Will Rogers described the great depression of the 1930's: "A period of time in which American people were paying up their debts and not liking it."

Thus the moral I would draw is that an expanding economy requires expanding debt. The rate of expansion I am told by economists for large businesses in America, must be about 4% a year. We prefer this expansion in private debt in order to minimize the role of government and assure the efficient utilization of resources which the private enterprise system gives us. But are those who sustain the private enterprise system prepared to explore an intelligent approach to debt expansion or do they have the inconsistency of urging private economic expansion of production and at the same time urging total debt repayment? Of course, debts are going to be repaid by different individuals but there are going to be **more** individuals incurring **more** debt as such partial payments may be made. Only in this way can the standard of living rise in the next decade when President Eisenhower declares we can have a $150 billion gain in output and the standard of living.

Thus the first conclusion I reach is that those in the financial community must educate the American people to a system of wise debt management. It is wise management that can assure an enlarged volume of saving.

The second conclusion I would reach is that this educational job must include an explanation of how to relate productivity and liquid assets to debt in such a way as to get a thoroughly manageable debt. Despite the work required of our Treasury officials in Washington the Federal debt has been well managed. This management has retained for us a great bank liquidity which is the most important structural change assuring us that our economy can finance an economic expansion which is the natural objective of both political parties for the next 10 years.

Can we now so manage further private debt expansion that we finance the growth of American production, which will free us from the greatest domestic economic evil—the evil of concentrated doses of unemployment?

*An address by Dr. Upgren before the 35th Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 16, 1955.

Bond Club of L. A. Annual Field Day

LOS ANGELES, Calif. — The Annual Field Day of The Bond Club of Los Angeles will be held June 10 at the Riveria Country Club, Pacific Palisades, Bond Club President Joseph L. Ryons, of Lester, Ryons & Co. announced. Wm. D. Witherspoon, of Witherspoon & Company, Inc., has been appointed Field Day Chairman. Members of the Field Day Committee include John L. Herrick and Deeb E. Peter, of Blyth & Co., Inc.; Robert L. Lindstrom, of American Funds Distributors, Inc.; Albert W. McCready, Jr., of Revel Miller & Co.; Norman S. Pearson, of Bateman, Eichler & Co., and David C. Pearson, of Bingham, Walter & Hurry, Inc.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

May 24, 1955

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Federal Reserve Bank of St. Louis

Responsibilities of Investment Advisers

By J. SINCLAIR ARMSTRONG*
Commissioner, Securities and Exchange Commission

Commissioner Armstrong calls upon all groups who participate in the securities industry to assume their specified roles and responsibilities under the law. Outlines obligations and responsibilities of investment advisers under the terms of the Investment Advisers Act, and praises provisions in the code of ethics set up by the Investment Counsel Association of America. Says some of the advertisements of securities are unsound and either the industry or the SEC "are going to have to take prompt steps to correct this situation." Wants all investment advisers to join the Investment Counsel Association and to adhere to its rules.

A few days ago I read the concise statement of functions and principles of the Investment Counsel Association of America. You call it your "Code of Ethics." It is encouraging to find a group of people engaged in giving investment advice to the public as aware of their status as fiduciaries and of their obligations and responsibilities as your Code of Ethics shows your members are.

J. Sinclair Armstrong

I noticed that some of your principles take cognizance of specific provisions of the Federal Investment Advisers Act. For example, there is a statement that no assignment of a contract should be made without the consent of the client. There is a statement that a partnership should notify the client of any change in the members of the partnership. These two statements closely follow the provisions of Sections 205(2) and (3) of the Act. The principle that compensation should consist of direct charges for services rendered and should not be contingent upon profits recognizes and supplements the provisions of Section 205(1) of the Act.

Most encouraging is the emphasis placed in your statement of functions and principles on ability to render unbiased investment advice, confidential relationship, competence, and, above all, on integrity. These are all appealing to a person who has responsibility for administering the Federal securities laws.

Many people have some general information about the provisions of the Federal securities laws, but too few remember that these Acts which the Securities and Exchange Commission administers allocate responsibility to various groups. Responsibility is imposed by the Acts on issuers of securities and their officers, directors and controlling persons. Responsibility is imposed on underwriters of securities. Responsibility is placed on brokers, and dealers in securities on national securities exchanges and associations, on investment advisers and others. Responsibility is placed on, and great advantages are given to, investors—the investing public—by these laws. Fulfillment of the aims of the Federal securities laws depends in great part upon the cooperative efforts of all persons who are expected under the statutory scheme, to assume responsibility.

Responsibilities of the SEC

We at the Securities and Exchange Commission have many responsibilities under the Acts. We have various legal powers to help us meet these responsibilities. In addition, the Acts provide for sanctions against persons who violate the laws or who violate the rules and regulations of the Commission adopted under the laws. A registered broker-dealer who knowingly makes misrepresentations of material facts to customers in connection with the purchase or sale of securities may forfeit his registration and thus be unable to conduct his business. Under certain circumstances he may even find that he is subjected to possible criminal penalties. Similarly, a registered investment adviser who engages in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client may subject himself to penalties and sanctions.

However, while these penalties and sanctions are necessary to make the Acts effective, it is not the penalties and sanctions standing alone which determine the value or the effectiveness of the law. The fact that a law has teeth in it does not necessarily mean that it will furnish economic nourishment to a community. The community can benefit from a law only if it works. It can work only if all the different groups who participate in activities under the law—that is government, industry, securities business and investing public—assume their specified roles and responsibilities under the law.

Under the Investment Advisers Act, particularly, this means that investment advisers must accept their responsibilities. If they hold themselves out as able to render investment advice they must be competent to give unbiased investment advice. They must maintain the organization and facilities needed to get and evaluate the facts on which unbiased investment advice can be based. If they are selling investment advisory services in the nature of bulletins, analyses, or reports they must be sure that the factual statements made and the advice given are clear and accurate so that the client understands not only what is being recommended but why. The basis of compensation of investment advisers should be fair and reasonable and should be related to the service rendered. Since an investment adviser is a fiduciary, he should avoid situations which create conflicts of interest.

I know from reading the statement of principles which I mentioned a moment ago that the members of your Association should not have any difficulty in assuming their responsibility and meeting their obligations under the law.

The Investment Advisers Act

As you know, the Investment Advisers Act provides that any investment adviser who has not been convicted of certain types of criminal acts, who is not subject to a court order enjoining him from engaging in certain activities, and who files an accurate and complete application is eligible to become registered as an investment adviser. While the Act requires the applicant to disclose certain information about his background, it does not require him to meet any particular standards of competency. While it prohibits fraudulent and deceptive practices, it does not require the applicant to follow any general code of ethics.

Laws which have to be administered by the Federal Government must have definite standards, particularly where they contain such drastic and punitive provisions as make it possible for the administrative agency enforcing the law to put a person out of business. The standards to be applied in determining whether an applicant is eligible for a license or registration must be definite and certain, so that it can be clear to everyone what constitutes a disqualification. The laws must be such that they can be fairly and objectively applied, and also understood by those who are subject to them.

On the other hand, there are other factors that are extremely important in the practice of any profession, even though they may frequently be less definite and certain and more difficult to apply. I have in mind the concepts generally expressed in such words as "character," "ethics," "morality," integrity."

Generally speaking, the standards of ethics, morality and integrity which a man applies in his own business depend pretty much on his own conscience, his training and background, and the standards generally followed by other people engaged in a similar activity and in competition with him. In any business, and particularly in any profession, where the standards of ethics, morality and integrity are high, the public—that is the clients, the customers—understand and recognize the existence of these factors. This gives the public confidence in the people they deal with and who deal with them, and in the long run the persons practicing the particular profession, or engaging in the particular business, who adhere to high standards, gain the confidence of their clients and customers and reap the material rewards which come from this.

In the almost two years in which I have been a member of the Securities and Exchange Commission I have had an opportunity to realize more than ever before the important contribution which the securities industry and certain professional organizations can make to the accomplishment of the purposes and aims of the laws which the Commission administers in the public interest. As a practicing lawyer and an active participant in bar association activities, of course I had some realization of this before, but seeing it from the government side gives me a better rounded, a more comprehensive, view. Any organized group with the same or similar business or professional interests can help to further the purposes and aims of such laws as the Federal Securities Acts. I believe that if the cooperative efforts of such organized groups in the securities industry are sincere and continuous they can reduce, in part at least, the necessity for and the extent of government regulation.

Two Practical Applications

Let me stress just for a moment two practical applications of the reduction of governmental regulation, one of which is working well, and one of which is having to be modified. When those of us whose appointments derived from the new national administration joined the Commission in 1953, we found the Congress, the Commission and the public ready for a program of simplification and streamlining of the Acts and the Commission's rules and forms. Of course this was not to be in any way which would reduce investor protection. Industry groups and the Commission cooperated with the Congress in legislation, which passed unanimously and became law on Oct. 10, 1954, eliminating certain complex and unnecessary provisions of the Acts and providing better means for disseminating information about new securities to be sold to the public. The cooperation of industry groups and their recognition of their responsibilities under the securities laws made possible these very long needed revisions of the Federal regulatory scheme.

Also the Commission has been hard at work for the past two years on a program of revision and clarification of its rules, regulations and forms, to keep pace with changing practices and new developments. The primary objective is to eliminate duplication and encourage conciseness without sacrifice of any safeguards necessary for the protection of investors. This program continues as fast as our staff, which has been reduced in number, can work on it. Industry members and groups, including your association, are to be commended for suggestions you have submitted. We of Government solicit your continued cooperation and assistance in the rule and form revision program. Your goal as investment advisers and ours as administrators of the securities Acts should be parallel—seeking presentation to the public of adequate information in form suitable to intelligent investment decisions whether to buy, sell or hold securities.

But one action the Commission took reducing Federal regulation is being modified. In part because of Commission staff reduction, in part because of its inherent infirmities, in 1953 we rescinded the requirement (known as Form 9-K) of the quarterly reports of gross sales of listed companies. Investment advisers and financial analysts groups have been hammering at us constantly ever since to reinstate the requirement. We have worked out with you, the accounting profession and industry generally what we think is a far preferable requirement for semi-annual reports both of sales and net operating results. But I ask you, has industry assumed its proper responsibility in this field? The New York Stock Exchange can be commended for its listing requirements under which a vast majority of its listed companies publish quarterly reports of sales or net profit or both. Why should the expensive and heavy hand of the Federal Government be needed to rope in the stragglers who do not make interim reports to the New York Stock Exchange or are not even asked to make interim reports by the other exchanges? It seems to me your profession could bring great influence to bear on non-reporting companies. Most progressive managements are sensitive to your views.

Advertising of Securities

Let me also mention one area where at the present time neither government regulation nor industry self-regulation are adequate. This is the advertising of securities. I am sure you are aware that some of the advertising of securities which is presently being distributed by the securities industry is unsound, both from the standpoint of the industry and the American investor, for whose protection the Federal Securities and Exchange Commission was established by the Congress. Either the Commission or the industry, and perhaps both, are going to have to take prompt steps to correct this situation. Conceivably, effective Federal policing of the advertising of securities could be a cure. There is some official policing of advertising now in connection with new issues publicly offered and with respect to securities of investment companies, but by and large the Commission does not, as a matter of routine, supervise securities advertising generally. I ask you, should the Securities and Exchange Commission request the Congress for vastly increased appropriations so as to inspect all advertising for possible violations of the anti-fraud provisions of the statutes, so as to eliminate or control the allurements presently being held out to the public in the financial pages of newspapers, broadcast on the air waves, or sent through the mail? That would be one alternative.

Or should the self-regulating organizations of the securities business undertake to prescribe and enforce standards which take the flamboyance and the "come-on" techniques out of securities advertising? The National Association of Securities Dealers and at least one of the national securities exchanges, the New York Stock Exchange, have programs for self-policing of advertising by their members. It would be an act of wisdom in the public interest for them, the other exchanges, and other associations in the business to give additional emphasis to this problem. Your association, with its high standards of business conduct, might appropriately be a leader in this area. Failure by the securities industry itself to take effective steps in the face of wdiespread, justified criticism of undesirable practices indulged in by a minority of the business is an invitation to government to use the Federal power to stamp out abuses of which the securities industry is aware but against which it has not yet moved with cohesiveness and determination. In the long run, the public interest in fair advertising of securities will have to be served, whether it be by the flexible and relatively inexpensive process of industry self-regulation or by the more rigid and expensive process of Federal regulation.

Americans have alawys been interested in freedom, and I am sure we shall become more and more interested in it. One important characteristic of a free society is its ability to establish its own standards in the public interest. This is true in economic as well as in political and social matters.

You know that many provisions of the Federal securities laws, particularly provisions of the Securities Act and the Securities Exchange Act, resulted primarily from the fact that during the roaring twenties many people, including those in the securities industry, had failed to recognize their responsibilities to the people they dealt with and to the public generally.

Cooperative Self-Regulation in the Securities Industry

After the Exchange Act had been in effect for several years, organized groups in the industry came to realize it was in their own interest as well as the public interest to supplement Federal regulation by a kind of cooperative regulation of their own industry. The national securities exchanges reorganized their governing boards to give more recognition and representation to groups dealing directly with the public, and, in some cases, to the public directly. Many of you are familiar with the organization of the National Association of Securities Dealers, Inc., the "NASD," and the fine work it has done and is doing in maintaining ethical standards among brokers and dealers doing business in the over-the-counter markets. The NASD, as you know, was organized pursuant to amendments to the Exchange Act adopted several years after the original Act went into effect. To the extent that any such organization can

*An address by Commissioner Armstrong before the Investment Counsel Association of America, New York City, May 12, 1955.

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maintain high standards acceptable to the majority of its members and enforceable against all, it not only inspires confidence among the customers of its members, but it thereby reduces the potential impact and scope of government regulation.

I wonder why an organization such as yours, with so admirable a statement of principles, is not more active in expanding its membership, and thus inducing eligible investment advisers to accept the responsibility of adhering to the high standards which you set for yourselves. I realize, of course, that not every investment adviser is eligible to join an association limited to "investment counsel"; that only those advisers primarily engaged in the business of giving continuous advice based on the individual needs of each client would meet that specification. However, more than 350 of the investment advisers who have filed Form ADV (the new simplified registration form which we adopted at the Commission in 1954) have indicated that they are primarily engaged in this business, and so qualify as investment counsel. I feel reasonably sure that many of them could be convinced that it is not only in the public interest but also in their own interest to belong to an organization such as yours. And it would seem to me that it would be in the interest of you who are already members to get these investment advisers into your organization.

You might also give serious thought to finding some way by which you can bring more vividly to the attention of the public, particularly to prospective investment-advisory clients, knowledge of the standards that should be applicable to persons who render investment advice. It would be helpful to persons who intend to employ, or are now employing investment advisers if they understood the qualifications which a competent investment adviser should have, the amount which competent investment advice should reasonably cost, and, particularly, the obligations which arise from the fiduciary relationship between the investment adviser and his client.

If the investing public could be made to realize that the standards of competence and integrity of investment advisers must be high and the cost of the service must be reasonable for the client to get the full benefit of the service for which he is paying, each client and prospective client would come to expect and eventually require his investment adviser to meet these standards. This demand by the people who buy and pay for the service would then have to be met by investment advisers who expect to conduct their business successfully.

You investment counselors who can solve the many complicated problems involved in laying out investment programs for different individuals under many different circumstances should have very little difficulty in carrying forward an educational program to create a demand for the high standards which your association espouses, which I am sure the public would want, and which will be of benefit not only to investment advisers but to the public as a whole.

Tax Problems of Corporations Operating Abroad

By ROBERT P. KOENIG*

President, Cerro de Pasco Corporation

Head of prominent mining concern operating in a foreign land calls attention to tax problems of U. S. corporations doing business abroad. Says present laws covering this situation require revision, and endorses solution proposed by President Eisenhower in his message to Congress of Jan. 10, 1955.

Perhaps you would be interested in learning something about taxes and tax problems which confront corporations operating overseas and in this hemisphere. I can at least promise you that what I will say will not be simply a repetition of what you will have heard from many other corporation presidents because corporations such as ours find themselves in a situation which is not a common one.

Robert P. Koenig

Any corporation formed under the laws of the United States is considered a citizen of the United States, so to speak, for Federal income tax purposes. However, when substantially all of a corporation's business is done outside of the U. S., the country in which it operates quite rightly feels entitled to levy taxes on substantially all of the corporation's income. This means that such a corporation is subject to "international double taxation."

The United States allows such corporations doing business abroad a credit against Federal income taxes for income taxes paid locally, whichever of the two countries imposes the higher tax. It works out that such corporations end up paying the amount of that higher tax, whether paid in the country in which they operate or to the United States, or part to one and part to the other.

Thus, those corporations like Cerro de Pasco that operate abroad have tax worries in two countries. I will not burden you with any generalities on the taxes that we find abroad other than to say that as far as Cerro is concerned the taxes under the new Mining Code of 1950 are such that large mining investments in Peru have certainly been encouraged.

Present Laws Need Revision

But how about the United States? Well, we do not consider our present laws satisfactory but we have high hopes that they will be substantially improved in the near future. Although this country is looked to for world leadership in developing the resources of areas which need capital investments, its tax system is none too well adapted to encourage private investments abroad on a large and expanding scale. Indeed, except for one feature, the system applicable to the taxation by the U. S. of income derived by corporations like Cerro de Pasco outside of the United States has not undergone any important change since 1918.

The soundest and most forthright course would be to exempt from United States' taxation all income derived abroad. Another alternative would be to tax such income at a rate low enough to reflect the facts that the only basis for the tax is U. S. citizenship; that the country in which the income is earned has the better right to tax the income. However, such a change in our tax system has not been politically feasible and apparently it is not now.

"To alleviate the situation somewhat and to encourage our American corporations in doing business in the Western Hemisphere," in 1942 the Senate Finance Committee proposed the Western Hemisphere trade corporation credit. That was done under the leadership of Senator George, whom I have just quoted. The Congress adopted the proposal and since then a corporation qualifying as a Western Hemisphere trade corporation has paid 14 percentage points less tax than one not qualifying. A Western Hemisphere trade corporation pays 38% at present, as compared with 52% for corporations generally. Against the 38%, it gets credit for foreign income taxes paid.

Amendments to Law Recommended

The Western Hemisphere trade corporation credit has meant a great deal to corporations like Cerro de Pasco but qualification under its provisions has become complex and we look forward to amendments of the law which will broaden and simplify it.

A thoughtful critic, Charles R. Carroll, Counsel to the Board of Directors of the National Foreign Trade Council, has said that the benefits of the Western Hemisphere trade corporation "are restricted to domestic corporations meeting specific arithmetical tests as to the nature and source of their income and by excessively narrow administrative construction of these requirements." The "arithmetical tests" to which Mr. Carroll referred are complicated so I won't take time to explain the detailed requirements, one of which is that all business must be done in the Western Hemisphere. The Senate Finance Committee said, when sponsoring the law in 1942, "that merely incidental economic contact" outside the Western Hemisphere would not deprive a taxpayer of Western Hemisphere trade corporation status.

Now in 1952, 10 years after the law was passed, the Commissioner of Internal Revenue issued a ruling which has never been published but which we understand was to the effect that any purchases outside the Western Hemisphere, no matter how small or incidental, would disqualify a corporation from the benefits of the Act. Accordingly, it appears probable that the Internal Revenue Service will bring claims against Cerro and many other corporations operating in ways similar to ours for additional taxes for certain prior years. We are confident that eventually we will not have to pay such additional taxes, because either the ruling, the regulations, or the law will be changed, or that if we must litigate we will win in the courts. However, as you can imagine, this experience makes us wonder about the practical effects of Western Hemisphere trade corporation credit as a means of encouraging private investments abroad.

Two Aspects to Solution

What is the solution? We think it has two aspects.

President Eisenhower said in his message of Jan. 10, 1955 to the Congress:

"The whole free world needs capital; America is its largest source. In that light, the flow of capital abroad from our country must be stimulated and in such a manner that it results in investment largely by individuals or private enterprises rather than by government.

"An increased flow of United States private investment funds abroad, especially to the underdeveloped areas, could contribute much to the expansion of two-way international trade. The underdeveloped countries would thus be enabled more easily to acquire the capital equipment so badly needed by them to achieve sound economic growth and higher living standards. This would do much to offset the false but alluring promises of the Communists.

"To facilitate the investment of caiptal abroad I recommend enactment of legislation providing for taxation of business income from foreign subsidiaries or branches at a rate 14 percentage points lower than the corporate rate on domestic income, and a deferral of tax on income of foreign branches until it is removed from the country where it is earned.

"I propose also to explore the further use of tax treaties with the possible recognition of tax concessions made to foreign capital by other countries. Under proper safeguards, credit could be given for foreign income taxes which are waived for an initial limited period, as we now grant credit for taxes which are imposed. This would give maximum effectiveness to foreign tax laws designed to encourage new enterprises."

We heartily endorse this program. It would put the taxation of foreign income on a fairer basis and vastly simplify the tax system. Somewhat similar proposals ran into snags last year, but we have high hopes that constructive amendments of the law will not be deferred much longer.

Administration Policy on Tax Laws

The second requirement of any satisfactory solution of the problems relating to the taxation by the United States of income earned abroad is, of course, that the law be administered in the light of the purpose to encourage the investment of capital abroad. That purpose was announced in 1942 by Senator George for the Senate Finance Committee. It is now an integral and important part of the far-reaching and dynamic international policy of the present Administration, which has been forcefully proclaimed by the President, by Secretary Humphrey and by other leaders. Interpretations of the tax laws at the technical level should be consistent with the will of Congress and the announced policies of the Eisenhower Administration.

This matter of taxation is of course a serious one with us and I feel that it is appropriate that we should make known our views.

*From the remarks of Mr. Koenig at the 1955 Annual Meeting of the Stockholders of the Cerro de Pasco Corporation, New York City, May 10, 1955.

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A Very Prosperous Level of Home Building and Home Financing

By ALBERT M. COLE*
Administrator, Housing and Home Finance Agency

In decrying the alarm regarding excessive home building, Administrator Cole sees home building on a very prosperous level and the housng market in a healthy condition. Says high level of housing is a good thing and reflects the general high level of prosperity in the economy. Contends private market is enacting its own measure of self-correction against dangers of over-financing in housing. Calls attention to the Voluntary Home Mortgage Credit Program, of which the Association of Mutual Savings Banks is one of the sponsors.

In recent months there has been a great deal of public discussion about housing—as there usually is. The home mortgage market has been dissected and debated from all angles. During my two years as Housing Administrator, I have never had so many really expert opinions—and so many different expert opinions—to choose from.

Albert M. Cole

We have been having a very prosperous level of homebuilding and home financing. To some this has seemed to be a cause of alarm and great danger. But then, in politics we are used to having people "view with alarm." Sometimes it is justified—sometimes it seems just like politics.

Some of these alarmists have reminded me of the man who for many weeks had been so run down, with all sorts of aches and pains that he imagined it all to be a sign of some serious organic failure. He finally went to the doctor for a complete check-up.

After testing and checking him in every way known to medical science, the doctor finally told his patient: "There's not a thing wrong with you—you are in perfect health. You have nothing to worry about."

"Nothing to worry about!" the man exclaimed. "But if I feel this bad when I'm healthy, how am I going to feel if I get sick?"

Something of this man's psychology seems to have infected some of the alarmists. They can't enjoy the sunshine for worrying about the rain.

Now a sense of cautious concern is a healthy thing. But that is quite a different matter. We don't want to kid ourselves into mistaking a prosperous market for a millennium. We want to be ready for any showers or squalls that lie ahead in the market.

We have adopted that attitude in the Housing Agency and the Government. In order to be well informed on the underlying facts, we got out our economic stethoscopes, called in our specialists, and, through the economic advisors to the President and FHA and VA field offices, we have reviewed at the national level the detailed facts reported on local housing markets throughout the country.

Our diagnosis—not only by the Housing Agency, but through the Administration — was that the housing market is in a healthy condition. Our surveys gave no indication of general overbuilding.

We found a slight surplus in a comparatively few localities, and these were the result of special or local conditions. In most areas corrective action had already been instituted.

We concluded that the approach to these local situations was through local — not national — treatment. We have worked out close coordination between FHA and VA in local market areas to follow market developments, and, where advisable, to cut back on issuance of mortgage insurance commitments and certificates of reasonable value. We believe these actions can put an effective brake on speculative building activities until local market forces have brought supply and demand into balance again.

We also found that, in some areas, private promotion of the practice of including closing costs in the mortgage was contributing to a degree of overselling. Homeseekers were being urged to "come and get it" without even the proverbial "dollar down." The use of this inducement as a speculative building technique on a come-one-come-all basis, encourages irresponsibility by both buyer and seller.

To prevent the spread of this practice, the FHA and VA announced that after April 28, closing costs would have to be paid in cash on loans based on commitments or certificates of reasonable value.

Some people wanted the government to go a lot further, but we concluded that this was all the action called for by the current facts. We did not think we should risk undermining a basically sound national market in order to meet a few local situations and problems. We did not think that government should attempt to replace or manipulate normal forces operating in the private market.

In fact, we regard a high level of housing activity in this country as a good thing. And that is particularly true when it reflects, as it does now, a general high level of prosperity in the economy.

Gross national product for the first quarter reached an annual rate of $370 billion, just slightly above the mid-1953 peak. The production index and the employment level of 61.7 million in April indicate that this quarter's gross national product will reach a new high. The level of personal income, moreover, has risen continuously since last August to a new high annual rate of $292 billion.

The rate of new homebuilding —which dropped in April to a rate of about 1.3 million units compared to the 1.4 million rate of preceding months—is consistent with this general level of activity. We would be much more seriously concerned, in fact, if housing were not sharing in the general prosperity of the country.

This uptrend in home financing, moreover, is not just a recent happening. The liberalizations in FHA terms under the Housing Act of 1954 did, to be sure, enable more people to enter the housing market—as it was intended to do.

But the commencement of the rise in the level of homebuilding and home financing—and the increased use of FHA and VA terms —predated the passage of that Act.

The source of the recent level of housing activity can be found in the easier supply of mortgage funds that developed in 1954. The net inflow of savings continued at a high level, but the net demand for other long-term investment fell off. Interest yields on long-term bonds declined early in 1954, and a larger supply of funds for VA and FHA financing became available.

Builders were able to make arrangements for advance mortgage commitments at liberal terms, and these commitments have supported much of the high volume of homebuilding thus far in 1955.

But it was expected that adjustments in the money market would have to come about. I believe we are beginning to see that now.

The Bureau of Labor Staistics has just released its figures on new housing starts for the month of April. The 127,000 starts in that month, while above last year, are below the April peak in 1950.

The Bureau's seasonally adjusted annual rate for April has dropped to 1,309,000 compared to 1,407,000 the month before — a figure significantly more in line with better informed forecasts of the housing level throughout the year.

While we should not attach undue importance to these reported monthly rates—which represent a highly variable benchmark at best —the April report should relieve some of the nervousness expressed in some quarters by the higher figures of recent months. I feel it also further supports our judgment that the market should be left to self-adjustment rather than the government controls so popular with previous Administrations.

Taken with other indications, the April figure suggests that a normal self-adjustment is taking place. Although savings continue high, other capital demands have increased significantly also. The downtrend in plant and equipment expenditures seems to be reversing itself, and business loan volume has been rising. The volume of new corporate security issues, during the first four months of this year, has exceeded the comparable total for last year by almost one-fourth. Although there has been some decline in new capital issues by state and local governments, the backlog of local government requirements for public facilities and improvements is still a very large one.

As a result of money market developments thus far, yields on FHA and VA home financing are a little less attractive than they were a year ago. Lenders are becoming more selective. Builders are finding it more difficult to obtain forward financing commitments at the most liberal terms.

The private market is exerting its own measure of self-correction against dangers of overfinancing in housing. Sometimes it appears that the government has more confidence in these private market forces than some of the private operators themselves—those who want the government to "take prompt action." It is always the poor bureaucrat who has to "take prompt action."

But in a stable, healthy economy, such as we have today, government housing policy should not be turned up and down like some sort of thermostat in a constant effort to adjust fractional fluctuations to a preconceived level of housing activity. The government's primary concern should be to help maintain a stable, continuing long-range housing market that will not be subject to these prompt actions which often result in misunderstanding and consequent violent inflationary or deflationary swings.

That is what we have substantially provided for under the President's program in the Housing Act of 1954. With the home financing and community aids the Act makes available—and with the progressive thinking and action of private industry—I am confident that the economy can absorb a high, prosperous level of homebuilding for many years to come.

Some have questioned whether we can do that in face of a declining rate of family formation until the 1960's, when the large number of postwar children come of family age and new family formations start to increase.

But if all this country can do —if all that private enterprise can and will accomplish—is to just provide homes for new families, we are going to go backwards—and go backwards fast—in housing and in finance. It means we will not meet any of the demands of our existing families for better homes and better living conditions. It means we are going to let our housing and living standards gradually sink lower and lower as our usable housing inventory continues to age and deteriorate.

To a very large extent, today's housing market—and the market of future years—rests on the existing demand for better housing and living environment—a demand which we are only just beginning to meet since the passage of the Housing Act of 1954. And this Act was virtually drawn by you businessmen and bankers —not by long-haired government planners of previous generations.

The continued high birth rate— 4.1 million births in 1954—has created family pressures for larger housing quarters. Income improvement has affected the entire population, including the lower-paid occupations and groups. Families not previously in the housing market at all are becoming homebuyers—if homes and financing are made available to them.

Important among these are minority families, who for the first time are being recognized as a vast, effective market for new and reconditioned homes.

About 20% of the nation's families have been moving annually for the past few years—from rural to metropolitan areas, from urban centers to suburbs, from heavily populated sections to expanding areas of the country. Most of them are seeking better opportunities, better living. They are stimulating the market for new housing. They even resent the premium they have had to pay in the past for dwelling in overcrowded substandard neighborhoods and slums.

At the same time, communities are beginning to clear and redevelop these slum and blighted areas on a large scale. Nearly 100,000 dwelling units are scheduled to be eliminated in slum clearance and urban redevelopment projects now under way or soon to start. One hundred or more towns and cities are developing more extensive undertakings under the new urban renewal program of the new Housing Act.

These are among our future markets. These are your markets —the markets of private enterprise. And the President's whole housing program is directed toward helping you to meet the new demands — to serve, and serve adequately through private means —housing demands that you have not adequately met up to now.

In this connection, I want to discuss one particular phase of this new program because of its special importance to you and the essential role that you play in it. This is the new Voluntary Home Mortgage Credit Program.

Voluntary Home Mortgage Credit Program

There can be no question of "overbuilding" in the areas in which this program is intended to operate. These are areas that have been traditionally underbuilt and underfinanced — traditionally unserved and ignored by private enterprise.

This program is designed for two purposes. One is to meet the home financing needs of remote areas and small communities, by seeking private lenders to pipeline money and credit for FHA-insured and VA-guaranteed loans into these areas. The other is to make such loans available through private lending institutions to minority groups on the same terms as are available to others.

Now I want to say that this program offers a real test to the private lending field. It is a call to you—and a call by you—for it is mainly your own program, and you were sincere in formulating it —a call on you to do a job that up to now has been left to the government, if it was to be done at all. Either you go in, or it is inevitable that the government will be compelled to.

As Housing Administrator, I have a good deal of authority that I haven't used. I haven't used it because I want private industry to do the job. I have leaned over backward, gentlemen, to see that private enterprise has—that you have—that opportunity.

But this involves more than just another business opportunity. You in the private industry of finance have a social, ethical, and, yes, a political, responsibility to consider and to serve the requirements of minorities. This is just as much your responsibility as it is mine, and as it is that of the President of the United States. You cannot push the problem under the bed; you are the people who must solve the problem if you wish to see a republican form of government continued. Paternalism is achieved by shirking such responsibilities.

Your responsibility embraces not just part of the market, or the preferred market. It covers the total market, and you have a public obligation to service all those who can meet sound requirements for mortgage financing, including minority families.

Yet the Negro has had, and still has, difficulty in obtaining funds to acquire a home on terms equal to those of other citizens. Even though he can meet private standards of credit, he finds private lenders in his community too often uninterested and indifferent to his business, or willing to lend only on payment of a penalty not exacted of others.

The Negro's rights are equal to those of any other citizen, and his housing needs are greater. If private enterprise will not provide for them, then the government proposes to assist him to get the home financing he needs on terms equal to those afforded others.

This we can do through the authority we have to use the Federal National Mortgage Association to support the mortgage financing of housing upon to minorities.

I am not using this FNMA authority now. I am giving private enterprise, through the Voluntary Home Mortgage Credit Program, the opportunity to show what it can do—what it will do for these families.

But I cannot wait indefinitely.

Your Association is one of the sponsors of this program. Your representatives on the National Committee that directs it are Harry Held and Robert M. Morgan. In areas where mutual savings banks operate, you also have representatives on the regional committees. You therefore have a real opportunity to further its success.

Up to now, over half of the mutual savings banks are participating in this new program. I hope more of your members will

*An address by Mr. Cole at the Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 17, 1955.

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join in. However, unless you send in the questionnaire provided you by this Association, applications cannot be referred to you, nor can you be considered as participants.

Most mutual savings banks, I believe, have long recognized the equal right of a minority borrower to equal financing terms. I want to compliment you for realizing—earlier than some—that with the rise in income of recent years, many minority families are now qualified for home ownership and make good borrowers.

I believe you can increase your influence in this field. You can be of great assistance by being willing to make loans in areas outside your communities to minority borrowers—or for rental or cooperative housing open to minority occupancy. As such loans are usually in metropolitan areas, property inspections can be easily handled. In many larger minority projects, the program is placing loans on a single project with a small group of lending institutions. I hope mutual savings banks will be among them.

With respect to remote and smaller communities, it would also be very helpful if mutual savings banks could extend the territories in which they are willing to operate, both in their own states and outside, in order to reach these areas of inadequate mortgage funds.

There are other things you can do. Unlike life insurance companies, your banks are not able to commit themselves to loan contractors in states outside their own. This makes it urgently necessary for you to do two things: First, inform your local contractors of your interest in receiving submissions of VHMCP applications. Second, we would like to know the names of your local loan contractors, so that we will know to whom we should send applications for your review. Because few of you have sent us this information, out-of-state participation by mutual savings banks has not been nearly as effective as it should be.

We are at a stage in this new program where the prospects for success are good—but where they will be no better than the continued and expanded cooperation of private lenders. Over a hundred loans have been made through the program. In the middle of April lenders indicated an interest in making loans in the case of almost half of the 2,500 applications then in the hands of participants.

Many of you have already been giving fine support to this new approach to some of our pressing problems. I want to urge all of you to join in, and to increase that support.

I would like to conclude this talk by acknowledging my appreciation to some of your leaders, such as Robert Morgan, who served on the President's Advisory Committee, and Harry Held, for the constructive help and cooperation they have given in helping to formulate our housing program, and in supporting it before Congress — in helping to put it to work. I want to ask—for them as well as for myself—the full backing and cooperation of your membership.

We have established a strong coalition of strength and purpose in housing through common effort and consultation—within the government, between government and private industry, and within the community. That, we must constantly seek to strengthen and preserve.

The keystone of this coalition, however, is private enterprise—acting not only in behalf of its own self-interest, but in the national interest as well. In housing, actions speak louder than legislation.

Let that action, first of all, be yours.

The United Auto Workers and The Guaranteed Annual Wage

By PHILIP W. CARTWRIGHT
Assistant Director, Institute of Labor Economics, University of Washington

In a discussion of the negotiations of the United Auto Workers with the automobile manufacturers regarding the guaranteed annual wage, Mr. Cartwright critically examines the proposals, and although holding that some sort of a guaranteed wage will probably grow out of the present negotiations, he finds that some claims of the unions are economically unsound.

What may become the most significant development in labor-management relations in the post-war period is now the subject of negotiation between the United Auto Workers-CIO representing the auto workers and the management representatives of the various firms in the automobile industry. This new dimension to the area of collective bargaining is the demand by the UAW for a guaranteed annual wage for its members. The major objectives of the UAW are two: First, as steady, full-time employment the year round for its members as is possible; second, to secure an income for members, who because of inability of the industry to stabilize employment fully, are laid off for part of the year.

Philip W. Cartwright

A secondary objective may be said to be the desire to achieve the major objective while at the same time minimizing the impact on the freedom of operations of the firm and the economy with respect to cost, production scheduling, expansion and the whole area of management prerogatives. In other words the UAW wished to devise a plan or set of proposals which would be as palatable as possible to management. The plan of the UAW, consisting of a set of principles which the union refers to as the "specifics" of the plan, has been set forth in a publication of the union entitled "Preparing a Guaranteed Employment Plan."

The UAW Proposals

The essential features of the UAW proposals designed to achieve these objectives are as follows. Every worker will be guaranteed 40 hours work or pay for all weeks in which he is called to work. All workers who have seniority (i.e., three months' service) will be guaranteed an income sufficient to maintain normal standards for those weeks in which they are laid off. This benefit payment will be guaranteed on the basis of one week's layoff pay for each two weeks worked since acquiring seniority up to a maximum of 52 weeks of eligibility. This is known as the **graduation of benefit rights** provision and is one of the two key features of the plan. This provision is similar to unemployment compensation except that the worker retains his benefit rights indefinitely rather than starting over with each benefit year. The amount of benefit payments would presumably be considerably larger than the present state payments which average about one-third the normal pay of the worker. The duration of payments of 52 weeks maximum is, of course, twice the 26 weeks maximum now provided under state systems.

The plan provides for financing by two methods, pay-as-you-go and reserve financing. A charge to pay for current benefits is made against the current payroll of the employer. In addition a percentage (to be negotiated) of base payroll known as the **contribution rate** is charged against current payroll of the employer to build up a reserve fund to some stated limit (also negotiated). The sum of these two charges is limited during any given period to some **maximum charge.** This maximum charge, which is the other key feature of the plan, will be a certain percentage of the current payroll, the percentage to be negotiated. The charge for current layoff benefits is the first obligation against the maximum charge. If the maximum charge at any time exceeds the cost of current layoff payments, the excess will be applied to the contribution rate. If the cost of current layoff payments exceeds the maximum charge, such payments shall be met by withdrawals from the reserve fund. Thus, until the reserve fund is built up to its stated limit the cost to the firm will be the cost of paying for current layoffs plus the contribution rate, but the total of these cannot exceed the maximum charge. Once the reserve fund is established the cost to the firm depends on the number of eligible workers drawing layoff payments currently plus any rebuilding of the reserve fund, again not to exceed the maximum charge.

The other essential features of the proposal are concerned with reducing the impact of a guaranteed wage on the freedom of operations of the firm and the economy. To reduce the size of reserve accumulation it is proposed that reserves of several or all firms be pooled. This proposal would also help the firm whose sales and employment are relatively unstable. Such a firm might find the cost of maintaining adequate reserves on its own to be prohibitive. By pooling reserves it can shift part of the cost of any heavy layoff it might experience to the other firms in the industry. This is known as reinsurance, or in some places as "passing the buck."

Workers who are laid off must register and be available for suitable employment elsewhere. This is similar to provisions under state unemployment compensation systems except that suitability of employment would be determined by a joint board of union and management. There is presumably the added incentive to the worker to take another job, if available, since he retains his guarantee rights in suspension thus lengthening his period of security.

Finally, the proposals provide that any payments received by the laid-off worker from state unemployment compensation would be deducted from the employer's liability. This, of course, would reduce the cost, if the state laws would permit. Moreover, it provides an incentive for management to work for improvement in the state laws and their administration from the standpoint of eligibility, size and duration of payments. In other words, management in the auto industry might thus be induced to work toward shifting the cost of this guarantee as far as possible to firms in other industries who as taxpayers also pay for the cost of unemployment compensation.

No one who has read even part of the literature on the subject of the guaranteed annual wage can help but be impressed with the wisdom and strategy with which the UAW has drawn up its proposals for a guaranteed employment plan. It is obvious that a great deal of thinking, planning, and research has gone into the development of the plan. This becomes apparent when one realizes that no matter what charge has been leveled against such plans, the UAW can point to what it refers to as the specifics of its proposals and come up with what seems to be a reasonable answer.

If one charges that a guarantee of an annual income for auto workers would be too costly they point to the provision of a maximum limitation on employers' liability. If the charge is forced inflexibility in business operations they point to the provision of graduation of guarantee payments rights. If the charge is creating immobility of the labor force they point to the provisions requiring laid-off employees to be available for suitable employment. If the charge is increased risk and curtailment of economic expansion they again point to the graduation of guarantee payments rights. If the charge is heavy fixed costs they point to the provision limiting maximum liability to a percentage of current payroll. If the charge is that the cost for particular firms may be excessive the answer lies in the provision for reinsurance. For almost any charge that can be made the UAW thus has thought up a "gimmick" which is designed to head off the charge even before it is made. No one can deny the wisdom and strategy of such an approach to a new dimension of collective bargaining.

Are the Goals Irreconcilable?

Unfortunately, however, no set of principles, no matter how all-encompassing they may be, can be designed which will achieve a series of goals which in themselves are irreconcilable. If one examines the socalled "specifics" of the UAW proposals one can find one which will achieve each goal, but if the "specifics" are examined in relation to each other they necessarily lead either to a compromise, in terms of goals, or to mutual incompatibility. An examination of a few of these conflicts will illustrate the point.

First of all the UAW plan attempts to combine the pay-as-you-go method with the reserve method. Under a complete pay-as-you-go financing system the cost of maintaining income payments to those currently laid off is a charge against current receipts. This means that the cost of the guarantee begins with the first decline in sales orders and production and increases in the face of declining sales and output. This cost impact severely handicaps the firm in its adjustment to the market situation. On the other hand, as the UAW points out, focussing the cost of the guarantee at the point in time during which layoffs begin provides the greatest cost incentive to management to prevent the layoff. It is thus the pay-as-you-go principle which is supposed to

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Common Stock
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THE MARKET . . . AND YOU

By WALLACE STREETE

All the good work generated on the upside late last week, which resulted in giving the week a higher reading stock market table, the first since early April, was to no avail. For the recovery stopped short of retracing the ground given up since fresh tops were reached in April. And interest dried up so fast that there is left in doubt just whither are we bound now.

* * *

Most disappointing to the bullish element was the growing disinterest in the market at this juncture; we have to go back to Oct. 12, 1954 to find as dull a market as was witnessed on Tuesday. And remember, Oct. 12 date was the first Columbus Day holiday market session under the new Exchange policy of curbing shutdowns.

* * *

While volume figures left much to be desired, there developed in the week since last Wednesday some strong group movements. Most notable was the much heralded recovery in the aircrafts which had been on the skids for more than two months on profit-taking from the long spectacular advance.

* * *

Snap Back in Aircrafts

The snap back in the aircrafts, effected mostly last Wednesday, Thursday and Friday and again on Tuesday this week, amounted roughly to seven points for Douglas, McDonnell, North American Aviation and United Aircraft. For General Dynamics it measured some 12 points. Bell, Boeing, Curtiss-Wright and Republic have come back some five points.

* * *

Two factors are responsible for the recovery of the air issues; the long setback has eliminated much of the speculative runup since the 1953 lows so that aircrafts are now more realistically priced, and secondly, the public is a little better informed about renegotiation moves under the Renegotiation Act of 1951.

* * *

Strong Chemicals

The chemical shares continued to find favor, with Allied chalking up the best overall gain in the weekly period despite a few days of erratic movements. This issue tacked on about five points to its value of a week ago, while duPont added better than two, Monsanto about three and Dow better than a point.

* * *

The pharmaceutical issues, particularly Vick Chemical and Chas. Pfizer, were in demand, the former finding favor on the introduction of a new series of drugs for the treatment and prevention of mental illness. Pfizer is about ready to unveil several new items of import.

* * *

Investigation by Washington into the growing shortage of aluminum has turned investment eyes toward the leaders in this highly important industry. Aluminum Co. of America and Kaiser Aluminum got a big play early this week.

* * *

Apparently a major factor in the market's failure to recover to former top levels has been heaviness of the steel and motor sections in recent sessions. Leaders in both groups are now modestly under the levels of a week, although a few of the smaller steel companies can claim some plus signs.

* * *

Mercantile issues held to a buoyant tone for the second week running, leaders here, including Gimbel, May, Federated, Allied and Macy adding one to more than two points to values for the period. The possibility that some tax windfall will accrue to some of these on settlement of the "lifo" recovery suits has been the dominating factor for growing interest on the part of investors in this division of the market.

* * *

Some stocks seemed to be suffering longer than usual from poor first quarter earnings. In mind we have Westinghouse, Alco Products, Allis Chalmers, Bucyrus Erie, Colgate and Pullman. Any improvement in second quarter figures could snap these back in good favor.

* * *

The Short Position

There was little to be gleaned as market ammunition from the recent report, on the short position of either the Big Board or the American Exchange market, other than while the total dipped on the Stock Exchange it was higher on the junior mart.

* * *

On the Big Board 81 of the 161 short-position issues had larger totals than a month ago. 77 issues showed declines in their short status, while three issues were unchanged. The figures were not representative in that two issues alone provided most of the 114,668 share reduction for the month—Graham-Paige dropping to 2,400 shares from 44,000 and Hooker Electrochemical dipping to 2,825 shares from 49,450.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 2

The Security I Like Best

plants for beneficiating iron ores; and designs and constructs complete steel mills on contract. In addition, its technical staff is constantly at work developing improvements in the design and processes of all such equipment.

(6) *Metal Products Division*—Designs and builds large and small gas holders for utilities and industry. Produces a self-aligning coupling device for transmitting power between industrial machines; manufactures Aeromatic Aircraft propellers and industrial fans and blowers; makes electrostatic precipitators for removing solids from industrial gases, smoke and liquids. Manufactures piston rings for aircraft engines and heavy duty motive power units and diesel engines of all kinds. Work for government consists of design and manufacture of shipboard gun mounts, aircraft carrier elevators, transmission units and gun mounts for army tanks.

(7) *Research and Development*—Is conducted through laboratories and pilot plants located in Pittsburgh and Verona, Pa.; with additional facilities at a number of other locations. No less than 22 pilot plant processes are said to be in experimental operation at the present time, including control and flow of automation for producing a variety of chemicals, plastics and petro chemicals; a process and pilot operation for the reduction and processing of titanium ores and metals. In this connection it has been reported that Koppers has entered into an agreement with Republic Steel to process titanium metal from Republic's huge new-found Mexican titanium property, said to be the richest in the world.

I recommend Koppers stock at prices near current levels and believe that the present yield return is perfectly safe and that, with earnings probably pointing significantly higher for 1955, a fair chance for an increasing dividend is possible.

KOPPERS COMPANY

Capitalization, Selected Balance Sheet Items, and Operating Data

	1954 $	1953 $	1952 $	1951 $	1950 $
Net sales	137,562,000	265,410,000	323,132,000	287,954,000	212,397,000
Profit before taxes	13,420,000	25,456,000	22,549,000	30,982,000	22,912,000
Funded debt	22.517.000	23,766,000	25,112,000	26,869,000	25,915,000
4% cum. preferred stock	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Common stock $10 par	19,932,000	18,671,000	18,671,000	16,171,000	16,171,000
Earned surplus	45,462,000	44,726,000	40,968,000	37,623,000	25,457,000
Book value common	51.24	51.97	49.96	48.95	41.33
Earned per share common	2.77	4.51	4.29	6.32	6.81
Dividends common per share	2.50	2.50	2.50	2.50	3.00
Common range—High	44⅜	41⅜	49⅞	47⅝	37
Low	29¾	28¼	35⅝	36	24¾
Margin of Safety—(Pre-tax profit ÷ Net sales)	7.15	9.59	6.98	10.76	10.79
Cur. assets ÷ Cur. liabilities	4.71	4.88	3.02	3.16	2.70

Agricultural Research

By ROGER W. BABSON

Asserting industrial and chemical research, and not Federal aid, is the farmer's best bet, Mr. Babson tells of the work of the National Farm Chemurgic Council. Says farmers must diversify their production, and also urges more research of mineral and other wealth cradled in the oceans.

Industrial and Chemical Research—not Federal Aid—is the farmer's best bet. Although most American farmers appear to be doing pretty well, I am keenly aware of the drop in farm income which has occurred during the past two years. Despite the best-intentioned government price-support program—or perhaps because of it—we still have a farm problem in this country which could easily erupt into a serious social cancer.

Roger W. Babson

I remember well what happened to the farmer in the '30s and what happened to the rest of the economy as a result of the decline in the farmer's economic position. In those days, the farm problem was seemingly a more arresting public issue than it is today. At least, it evoked more discussion in business and political circles.

How the Chemurgic Movement Began

In an effort to improve the demand of that era, the National Farm Chemurgic Council was organized at an historic conference held in 1935 at Dearborn, Mich., under the auspices of Henry Ford and Francis P. Garvan, President of the Chemical Foundation. Another leader in the movement was Wheeler McMillen of "The Farm Journal." The idea was to encourage research which would lead to an expansion of markets for American farm products to be used as industrial raw materials. From the beginning, I supported the aims of this council.

Since then, the whole movement of allying chemistry with agriculture has grown tremendously. In March of this year, the old National Farm Chemurgic Council was superseded by a new and larger organization called the Council for Agricultural and Chemurgic Research. The new organization will continue to encourage individual research projects looking toward the discovery of new crops and new characteristics of old crops. In addition, it will set up the machinery to co-ordinate the various agricultural-chemical research projects which are being undertaken. Farmers' sons should learn of this work before leaving the farm for city employment.

Farmers Must Diversify

I hope that the activities of this scientific farm research will have the wholehearted support of science, industry, and government. It takes time to expand any research facilities; it especially takes time to co-ordinate research activity in so large a field as agriculture. This wider approach to the problem is not being undertaken any too soon, for there is now a great need for American farmers to diversify their production and look more to industrial, rather than food, consumption. Such diversification should lead to more stable economic conditions.

This need for diversification of farm products is so apparent that the Council chose "New Crops" as the theme of its March meeting in Columbus, Ohio. It may seem odd to be concentrating on new crops when we have such heavy surpluses of old crops, but such research has paid off handsomely before, as in the case of soybeans. There is every reason to believe it will again pay off. New crops now being studied include timber bamboo, a good source of paper pulp which has been grown successfully in the Southeast; dioscorea, a plant source of cortisone-like drugs; new varieties of castorbeans; canaigre, a wild root plant of high vegetable tannin; and acerola from Porto Rico or phylanthusenblica from the Hawaiian Islands, both of which have miraculous vitamin contents.

Marine Research Is Also Needed

In addition to their work in the agricultural field, the Council could encourage further studies of the mineral and other wealth cradled in the two great oceans. These flow up to the very doorstep of our land along more than 4,800 miles of coastline. These oceans are a storehouse of organic and inorganic matter of great actual and potential importance to industry. As our soil is getting poorer with every hard rain, our oceans, into which the rivers empty, are getting richer.

For example, a large number of chemical elements are found in crab meal, and fish meal. Fish products contain aluminum, barium, calcium, chromium, copper, fluorine, lead, lithium, magnesium, manganese, nickel, phosphorous, potassium, silicon, silver, sodium, strontium, and zinc! Truly the resources of the sea provide plenty of opportunity for the new College of Fisheries at Gloucester, Mass.

Phila. Secs. Assn. Annual Outing

PHILADELPHIA, Pa.—The annual outing of the Philadelphia Securities Association will be held Friday, June 3 at Huntington Valley Country Club, Abington, Pa., Robert E. Daffron, Jr., Harrison & Co., President of the Association, announced.

Members of the Association are in receipt of handsomely engraved stock certificates, with appropriate coupons attached, that will be traded at the fourth annual stock exchange, one of the high-lights of the outing.

John P. McCoy, chairman of the arrangements committee, stated that at the conclusion of this year's outing, in keeping with the times, there will be a proxy contest. The 20 members voting the most shares wil receive gift certificates entitling them to two free full course steak dinners at the Barclay Hotel. The meal certificates, it is pointed out, should have particular appeal to the upcoming crop of "summer bachelors." George A. Bailey, Jr. of George A. Bailey & Co., is in charge of reservations.

Newburger, Loeb Adds

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, announce that the following Registered Representatives have joined their organization: Mrs. Lilliam H. Bendel, Richard D. Cohen. Conrad Cohn, Percy G. Melville, C. Ramsey Siegel, Louis H. Singer, Leon J. Sutton, and Irving D. Taub.

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Gold Money for Americans

By ROBERT T. PATTERSON
Assistant Professor of Economics
School of Commerce, Accounting and Finance,
New York University

Professor Patterson gives an elementary explanation of our current monetary system, of which he states the peculiar and perhaps unjustifiable feature is that although we as citizens can't exchange paper dollars for gold, foreign governments and central banks can. Holds freedom to exchange paper money for the real money-material is closely associated with our other basic freedoms and is a vital part of the mechanism of democracy.

There was a time when you could step into a bank, hand the teller some paper money, and receive in exchange gold coins. All you needed were the appropriately engraved certificates or notes. Whether brand new and crisp as lettuce, or old, wrinkled, and worn, they were as good as gold itself. They could be redeemed in gold coin. For people's convenience gold coins were minted in different denominations. The commonest were five, 10, and 20-dollar pieces. The five-dollar gold piece was about the size of a nickel, then 10 a quarter, and the 20 had approximately the dimensions of a half dollar. But as coins they were much heavier, for gold has far the highest atomic weight of the money metals.

Robert T. Patterson

You knew they were gold by their heftiness, their untarnishable luster, and the clear "true" tone when you jingled them in your pocket or "rang" them upon the counter. Gold was the primary form of money—it was money itself. Paper currency was the claim check for gold that could be freely exchanged for it.

You can no longer get gold pieces for your paper money. Over 20 years ago the United States went off the gold standard and hasn't yet returned to it. But the United States Treasury has plenty of gold—several times as much as there ever was when we were firmly established on the gold standard. At Fort Knox and other gold depositories there's a veritable mountain of it—over $21 billion worth—practically all in the form of bars or ingots than can readily be minted into coin.

Although today there is much more currency in circulation and bank deposits are far larger than when we were on the gold standard, the gold backing for them is greater than that held at most times between 1915 and 1932, the modern part of a long period during which Americans could exchange currency for gold coin without limit.

A peculiar feature of our present monetary situation is that although we can't exchange paper dollars for gold, foreign governments and central banks can. Their dollars and their dollar credits are redeemable in gold bullion at almost a moment's notice. It is right and proper that they should be, whether we are on a full gold standard or not. Foreigners value the dollars they hold just as if they were gold, and they trust our Treasury to continue to redeem them as it has done for many years.

Because we are thus on the gold standard internationally, the dollar is the standard money of the world. This situation is ironic, for most foreign governments have degraded their own currencies, many of them to small fractions of their former values.

Why, you might ask, should anyone choose to exchange convenient paper currency for heavy and awkward gold coin? The answer is that few people would under normal conditions, but *they could do so if they wanted to.* Whoever wondered what the backing behind the dollar really is could find out readily enough and be reassured. This is, of course, only one virtue of the gold standard.

What many people today do not know, and others would like to conceal, is that freedom to exchange paper money for the real money-material — the precious metal that currency represents—is closely associated with our other basic freedoms. It is a vital part of the mechanism by which the people of a democratic nation can govern themselves and determine for themselves their destiny.

This is not in the least an exaggeration. The planners and controllers—the Socialists and their Communist ilk—know that they cannot dictate the lives of the people when every citizen has in his hands a redeemable currency.

The people themselves then have sovereignty over their nation's finances. By exchanging paper money for gold, when they deem it necessary in order to protect their savings from depreciation, they can cause an outflow of gold that—if the gold standard is to be maintained—compels government officials and the monetary authorities to return to sound financial practices. The alternative—a forced abandonment of the gold standard—would be political catastrophe for those in office. It would be complete evidence of their financial incompetence and of the public's low estimate of the value of the currency foisted upon them.

Thus, by way of the gold standard, the people can be—as they were throughout most of our history—the ultimate controllers of the public purse and governors of the nation's money supply. Always, if a currency is redeemable, they can call a halt to the waste and reckless largesse of officialdom when it threatens to dissipate the wealth they have labored to create.

It is obviously an impediment of our present-day democracy that the citizens of a free country are not free to obtain, if they wish, the gold behind their dollars that the Treasury holds in great abundance. It is undestandable, likewise, that those who favor a government-controlled economy are utterly opposed to a redeemable currency.

No matter how great our hoard of gold, it can't serve as an automatic regulator of the money supply so long as the paper that purports to be a claim upon it cannot be redeemed. Without redeemability our currency can be expanded without limit. The quantity of it can rise to astronomical heights compared with which the mountain of gold at Fort Knox would be but a mole-hill.

In today's world of inflated and depreciating currencies the money units of almost every country have fallen to a fraction of their former values, and some have become worthless. They depreciated when they could no longer be redeemed in gold. Even in the United States, during the past 15 years, the monetary unit has lost half its purchasing power. Its rate of decline has varied from year to year, but there has been no appreciable upturn.

When we return to the gold standard the coins will be smaller than they used to be. After gold redemption was forbidden in 1933, the dollar was devalued—that is, the amount of gold in each dollar was reduced—by approximately 41%. To restore the dollar to its former gold content would involve almost insuperable difficulties. For that reason we shall probably have to be content to accept smaller coins, glad that the devaluation was no greater and that it was not repeated.

We didn't have to devalue the dollar. There was plenty of gold in the Treasury and in the banking system. The idea, avowedly, was to inflate the currency by spreading the stock of gold more thinly over many more paper dollars. By making the gold value of each dollar less it was intended that prices should rise proportionately. The measure was a shortsighted one that is practically impossible to reverse.

Some people would like to see the dollar devalued again. Gold producers here and abroad would benefit, of course, if an ounce of gold were made the equivalent of say $50 instead of the present $35. A dollar would then be 1/50 of an ounce of gold instead of 1/35.

Foreigners in debt to us would like another dollar devaluation. It would enable them to exchange their own currencies for so many more dollars and in effect cancel a part of what they owe.

Inflationists and cheap-money advocates favor reducing the dollar's gold content so that the gold we have can back more dollars—smaller ones, however. They say nothing of the inevitable and permanent cheapening of every dollar, at home and abroad, that would result.

They say nothing of the bitter and shameful experience of scores of countries that have progressively reduced the gold content of their money units. A hundred French francs, for example, once equal to 510 grains of gold, now contain only about 4.5 grains. Today 100 francs will scarcely buy what one franc bought before a series of devaluations rotted away its value. Frenchmen who had, throughout those devaluations, savings, pensions, annuities, and interest-bearing securities, saw the purchasing power of their holdings fall to 1% of what it had once been. Many other currencies have deteriorated in the same manner. *Only a currency redeemable in a fixed amount of gold can retain its value over the years.*

To describe all the advantages of a return to the gold standard, with the present gold content of the dollar firmly established by law, would require many pages. A summary can be made, however, from the penetrating testimony of E. C. Harwood, Director of the American Institute for Economic Research, before a Senate subcommittee in the spring of 1954. In it he presented abundant evidence that a currency fully redeemable in gold would—

(1) Prevent further and indefinitely prolonged depreciation or loss of the dollar's buying power.

(2) Be the best available insurance against a flight from the dollar.

(3) Preserve confidence in the dollar.

(4) Restrain unwise fiscal and banking policies.

(5) Assure equitable treatment for both parties to long-term contracts.

(6) Assure the future worth of life-insurance benefits, pensions, and Social Security benefits.

(7) Assure all who labor that higher wages will be higher in real buying power.

(8) Tear away the veil of the "money illusion" and facilitate the economic calculations essential to ordered progress.

(9) Encourage investment and assure a rapid resumption of investment whenever savings accumulated.

(10) Assure all segments of the population the benefits of increased productivity.

(11) "Promote maximum employment, production, and purchasing power," the declared purpose of the Employment Act of 1946.

(12) End the discrimination against American citizens and in favor of foreign governments and central banks.

(13) Minimize the need for elaborate money and credit controls.

(14) Reinforce the independence of the Federal Reserve Board.

(15) Facilitate sound, long-term financing of the public debt.

(16) Facilitate foreign trade.

(17) Bulwark the freedom of American citizens and help to preserve our system of free enterprise.

Some of the nation's economists are aware of these advantages of the gold standard. Others are not, or they are indifferent to them.

It would not be difficult to return to the gold standard. The principal requirement now lacking is that our currency be redeemable in gold at the established rate of $35 per ounce. A simple act of Congress can make it so. All the dangers and disadvantages of an irredeemable currency would then be removed, and we would have instead the protection and the benefits of sound and honest money.

Fusz-Schmelzle Co. New Corporation

ST. LOUIS, Mo.—Fusz- Schmelzle and Co., Boatmen's Bank Building, has announced its change from a partnership to a corporation, effective May 18. The new form of management, it was stated, has been carefully planned and designed to perpetuate active interests in the firm and thereby to render the best service possible to its customers.

Eight new Vice-Presidents have been appointed and they have acquired a financial interest in the firm. The new officers and stockholders are Shelton W. Mozley, in charge of sales, Eugene T. Burns, in charge of the trading department; Homer G. Bradney, (formerly manager) in charge of the Jacksonville, Ill., branch; C. B. Keehner, (formerly manager) in charge of the Alton, Ill., branch; Leslie V. W. Schrader, (formerly manager) in charge of the Belleville, Ill., branch; Walter Fassel, Frank E. "Pete" Jenger, and Miss E. A. Zuschrott, Vice-Presidents. D. M. Bollinger has been appointed Secretary-Treasurer, in charge of internal operations. With an optimistic eye to the future and in anticipation of its 25th anniversary on Nov. 3, the firm also announced plans to further expand its sales and statistical departments.

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

New Issue May 26, 1955

361,282 Shares

Penn-Dixie Cement Corporation

Capital Stock

($1 Par Value)

Transferable Subscription Warrants evidencing rights to subscribe for these shares, at the rate of one share for each six shares held, have been issued by the Company to holders of its outstanding Capital Stock. The Warrants expire at 3:30 P.M. Eastern Daylight Saving Time, on June 10, 1955. During and after the subscription period, shares of Capital Stock may be offered by the underwriters, as more fully set forth in the Prospectus.

Subscription Price to Warrant Holders
$27.75 Per Share

Copies of the Prospectus may be obtained within any State from any Underwriter who may regularly distribute it within such State.

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Banking Conditions and Interest Rate Prospects

at prevailing rates. The question is whether this good record will continue. The calendar of new security issues in the second half of the year is expected to be heavier than in recent months, and large new Treasury borrowings are ahead. At the same time, a high rate of business activity is in prospect through 1955 and into 1956. These factors may well result in continuing pressures upon bank reserves, entail further upward adjustments in the rate and yield structure, and pose more complex problems for the monetary authorities that has been the case so far this year.

A Flexible Credit Policy

Basic to an appraisal of the money market outlook is an appreciation of the fact that the Federal Reserve is following a flexible credit policy, designed to have direct and immediate effects upon the reserve position of the commercial banking system. Although this policy has been followed in principle since the March 1951 accord, only gradually did it gain its present shape and meaning; after a sustained era of pegged bond prices, both the monetary authories and the financial markets required considerable time and experience to become familiar with its techniques and effects.

Now, however, flexible credit policy has passed through the full swing of the business cycle, encompassing a rise to the peak of a boom in 1953, a moderate but widespread business adjustment through mid-1954, and a surge toward new high marks at the present time. Consequently, its implications with respect to current conditions can be assessed from a better vantage point than heretofore. The basic goal of the monetary authorities remains unchanged, namely to foster an environment conducive to a balanced and steady growth of economic activity. The specific credit measures employed to this end, however, will vary according to the state and trend of the economy.

Recent Shift in Policy — In a period of business sag, the task of credit policy appears fairly obvious, at least in principle. In the 1953-54 decline, the monetary authorities made bank reserves available in abundance and at low cost. By this action, they helped avert pressures in the financial system that might have resulted in a spiral of credit contraction and inventory liquidation. In addition, these policies promoted conditions in the investment markets which were favorable to long-term borrowing, which in turn contributed to the sustained strength of building activity in 1954.

Beginning in the latter part of 1954, when evidence appeared that business activity was turning upward, the authorities moved away from the policy of aggressive credit ease which they had been following since mid-1953. At first, their objective was merely to absorb some of the overly abundant reserves that had been provided to the banking system under the easy credit policy. In December, with business activity rising on a broad base, a further and more fundamental shift in policy took place; the new policy, while not one of credit restraint, had the effect of making bank reserves less freely and less liberally available. The shift in the emphasis of credit policy was affirmed by the recent increase in the discount rate from $1\frac{1}{2}$ to $1\frac{3}{4}$%.

This change in policy has been reflected in a fairly substantial increase in member bank borrowings from the Federal Reserve banks; recent levels around $500 million compare with the $150 million prevalent a year ago. Perhaps the most significant indicator of money market conditions is the volume of "free" reserves in the banking system, i.e., the amount by which excess reserves exceed member bank borrowings; these reserves, which averaged around $550 million in 1954, have on occasion disappeared in recent weeks. This development, which is the combined result of higher bank borrowings and lower excess reserves, is probably the most informative single measure of the gradual shift in credit policy in recent months.

Present Prospects — As the economy continues to expand, however, credit policy faces a progressively more difficult task. The aim of credit policy in the ascending phase of the business cycle is to help curb those excesses of expansion which in the past have so often led to broad and painful corrections. Consequently, the authorities may be expected to make bank reserves somewhat more expensive and somewhat more difficult to obtain, thereby placing some restraint upon credit growth. In general terms, the task is to keep credit expansion reasonably in line with the amounts required to meet the needs of industry and commerce and to ward off a situation in which large borrowings contribute to inflationary pressures and augment a boom.

Flexible credit policy in an economic upturn thus faces more complex decisions and requires even greater foresight than when business is contracting. While too timid a policy may be ineffective, at the same time it is desirable to avoid so sharp a degree of credit restraint as to cause economic unsettlement. Also, if a restrictive policy is carried beyond the point where economic expansion is tapering off, it may become more difficult adequately to cushion the subsequent decline.

Consequently, appraising the money market outlook in the present period of rising economic activity means formulating an opinion with respect to the judgment, attitude and policies of the monetary authorities. The authorities, in turn, take their cue from the condition of the economy; the key to credit and money market conditions lies in the authorities' appraisal of business prospects and of demands for funds.. If business gives signs of turning down in the near future, this would surely mean a prompt reversal of credit policy, an easing in the money market and declining interest rates. If the upturn continues, but without generating a boom psychology or inflationary tendencies, and perhaps with some slowing down in the rate of expansion, the prospects favor continuing but gradual and orderly upward pressures on interest rates. However, it not infrequently happens in a dynamic and volatile economy that an upturn develops troublesome boom characteristics; should this develop, the money market could well be permitted to tighten more sharply than in recent months and the repercussions upon interest rates, albeit probably temporary, might be more severe.

Current Business Strength

It has by now become evident that the expansion of economic activity is impressively broad and strong. Initially, recovery from the 1954 low point was sparked by the rise in automobile production and residential building, but the upturn has been gaining momentum in recent months. Consumer buying demonstrated great strength in the closing months of last year and has been running ahead of a year ago: business policies have shifted from inventory liquidation to accumulation; construction activity continues to set new records. Industrial production and gross national output are currently back at their peak levels of 1953.

Supporting Factors — Further expansive forces are likely to appear during the next few months. The latest surveys of business spending intentions on plant and equipment suggest that an upturn is in prospect. In addition, business is likely to add to inventories over the remainder of the year. Consumer income is at record levels and further increases are in prospect; in addition, consumers are evidencing their willingness to augment their spending by going into debt. State and local government outlays are likely to continue on the rise for a considerable time ahead. Finally but importantly, it appears that the cutback in Treasury spending has been completed and that the trend in Federal expenditures may be stronger in the latter part of the year. All this supports the outlook for a record year 1955 and for a continuing of the cyclical upturn into 1956.

Prospects for Slower Growth— Assuredly, not all forces will be operating in an upward direction. A fairly sizable reduction in automobile production from present levels is expected within the next few months, and this will have some dampening effect upon the economy. Also, some decline in the rate of housing starts below recent months would not be unexpected, although the current high level of starts should assure active residential building throughout most of 1955. Rapid expansion in residential mortgages and instalment debt may eventually have some retarding effect upon the willingness of consumers to buy, but there is little to indicate that this may become an important factor over the near term. Agriculture does not seem likely to share proportionately the generally optimistic prospects for the economy; however, it is not likely to contribute significantly to a downturn in aggregate business activity.

On balance, therefore, there are forces at work which may moderate the rise in industrial production and total output, but they are not likely to precipitate a business decline in the near future. Provided we succeed in avoiding an outright boom and subsequent break in economic activity, the prospects are for the rising trend in business to continue into 1956, although perhaps with some slowing down and possibly some interruptions in ensuing months.

Prospective Demands for Funds

Most business upturns require a relatively sizable volume of new financing. The favorable business outlook today suggests that demands for both investment capital and bank credit loom large in the period ahead.

Investment Requirements—The combined financing needs of construction, of State and local governments, and of corporate long-term borrowers in 1955 are likely to be larger than ever. Real estate mortgage debt is virtually certain to show a record rise. In fact, even allowing for a fairly sizable decline in the rate of new housing starts later in the year, the growth in home mortgage debt outstanding is likely to surpass the 1954 increase of $9.3 billion by a substantial margin. New long-term capital financing by State and local governments in 1955 should about match the record volume of 1954, with offerings expected to increase significantly above recent levels later in the year. The volume of new corporate bond issues, however, is likely to be less in 1955 than the $4 billion of new issues in the preceding year.

Bank Credit — Total demands for bank loans during the balance of 1955 are expected to exceed those of the corresponding period of 1954. Requirements for real estate mortgage and consumer instalment credit will probably be higher, while the increase in loans on securities may be less than in the comparable period a year ago, unless speculative fever takes hold.

An important difference is likely in the behavior of business loans. These loans are facing some seasonal liquidation until midsummer, but thereafter are likely to rise substantially faster than in the latter part of 1954. Current prospects are for some accumulation of business inventories in the months ahead, in contrast to last year, when they were still being liquidated. Furthermore, the large payoffs of loans by metal and metal product companies, which occurred throughout 1954 as the result of cuts in the defense program, have ended and are not likely to be resumed this year. The prospective increase in business spending on plant and equipment may also contribute to some increase in loan demands.

In addition to meeting demands for loans, the commercial banks will be called upon to help finance the large state and local government construction programs. Thus, further increases are expected in bank holdings of municipal securities.

Treasury Financing—The Treasury will find it necessary to do a substantial volume of new money financing during the balance of the year. It is currently expected that about $5 billion will be raised in July and almost as much in the final quarter of the year. While the cash deficit may be somewhat less than in the second half of 1954, maturities of savings notes will be considerably larger, so that in all, the Treasury's new financing requirements in the last six months of 1955 are likely to exceed $8 billion raised in the market in the second half of 1954.

At present, it seems probable that the great bulk of the Treasury's new money financing in the balance of the year will be concentrated in fairly short-term obligations. There is little doubt of the continuing desire of the Treasury to lengthen the maturity distribution of the debt, but improved business, greater loan demands and the trend toward higher interest rates all tend to dampen the enthusiasm of commercial banks to lengthen their portfolios. Also, business corporations, because of greater liquidity, are expected to provide a better market for Treasury obligations than was the case in 1954. As a result, commercial banks will probably make smaller additions to their government holdings than in the preceding year, when their holdings increased by a record $6 billion.

It is worth noting that the financing needs of the Treasury in prospect for the remainder of this year are not likely to prevent the credit authorities from following a policy of credit restraint if economic developments so require. Admittedly, Treasury financing places some restrictions upon the timing of Federal Reserve action; periods shortly before or after a Treasury operation are not propitious for the active pursuit of credit restraint. However, this need not be a barrier to a broadly conceived and systematically pursued credit policy. The experience of recent years shows that the Federal Reserve is able to follow a flexible credit policy, including one of gradual restraint, without ignoring the problems of Treasury debt management.

Bank Reserve Requirements

In sum, current indications are demands for long term funds by private and municipal borrowers, as well as Treasury financing activities, will be large in the second half of the year, at the time when requirements for bank loans will be substantially higher. It is thus evident that the monetary authorities will need to supply the banking system with large additional reserves in the period ahead if a sharp stringency in the money market is to be avoided.

Estimate of Required Reserves— Estimates of prospective member bank reserves requirement tend to be quite precarious. The gold stock has not changed significantly of late. However, increased loan demands and bank participation in Treasury new money financing during the balance of the year support the expectation that bank deposits will expand substantially during the balance of the year.

Deposits may increase somewhat less than in the last seven months of 1954, when they advanced by $11 billion. This year, bank purchases of Government securities are likely to be considerably smaller. However, the rise is nevertheless likely to be sizable. At the same time that higher deposits will be creating the need for greater reserves, furthermore, bank reserves will be drained off by the seasonal increase in money in circulation. As a guess, therefore, the amount of reserves required by the banking sytems during the remainder of 1955 may be estimated near $2 billion if present prospects materialize.

On balance, bank reserves will presumably be provided by the Federal Reserve in large volume. This may be achieved through a reduction in member bank reserve requirements or, more likely, by open-market purchases. In addition, of course, commercial banks can obtain reserves by increasing their borrowings at the Federal Reserve banks. It is likely, however, that these developments will be accompanied by continuing pressure upon the money market and a further tightening of credit.

Member Bank Borrowings — While increased borrowings by member banks from the Federal Reserve provide funds to the banking system, they generally do not lead to an easing of credit. In fact, rising borrowings are indicative of a generally tightening money market, since there is a fairly widespread aversion among bankers toward continuous borrowing. Reserves obtained from this source, therefore, are temporary expedients, and the Federal Reserve authorities on occasion have used persuasion in order to encourage banks individually to get out of debt. Should reserves not be provided through other sources, therefore, the commercial banks would severely curtail their lending and investing activities, and this curtailment of financing would probably be much greater than desired by the authorities. Consequently, it is certain that the Federal Reserve will provide some reserves to the banking system by other means during the balance of the year in order to limit the increase in member bank borrowing.

Statutory Reserve Requirements —Member bank reserves requirements have been reduced in each of the past two years. The reduction in 1953 was a step in the reversal of credit policy initiated in May, when the credit squeeze was reaching disturbing proportions and business activity was approaching a turning point. In 1954, the reduction reflected the easy credit policy that accompanied slack business conditions.

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Neither of these situations is in prospect for the months ahead.

Good reasons nevertheless may be advanced for reducing reserves requirements this year. Reserve requirements in the United States are significantly above those prevalent in other countries of major importance in international finance. Also, a reduction now would make room for increases should inflationary or speculative pressures take hold in a dangerous way. Finally, such a move would release funds to support long-term growth in the money supply. Any undesirable easing of credit that might result from lower reserve requirements at this time could readily be forestalled through open-market operations. Possibly these consideration might prevail even though a reduction in reserve requirements has come to be regarded as a signal of an easier credit policy.

Open-Market Operations — In any event, it is reasonable to expect the Federal Reserve to place extensive reliance upon open-market purchases and repurchase agreements during the remainder of this year. The resumption of such operations on a large scale will not necessarily indicate a change in credit policy. The authorities may well conduct their purchases in a manner designed to keep the money market under fairly continuous pressure. The degree of pressure will be indicated by the behavior of free reserves and member bank borrowings and will be reflected in the behavior of short-term interest rates.

The Outlook for Interest Rates

Sizable demands for credit, combined with a less liberal credit policy, have already been mirrored in a general firming of interest rates. Most classes of interest rates have advanced, but the hardening has been most pronounced in rates and yields on bank-type investments, that is, short- and medium-term investments. These yields have risen more, both in absolute amount and relative to their levels of some months ago, than have yields on long-term bonds.

To some extent, the greater volatility of short-term rates reflects their customary greater sensitivity to changes in business conditions and in credit policy. Furthermore, much of the rise in money rates, at least until early this year, may be regarded as a rebound from the exceptional ease in mid-1954 that resulted from the aggressive easy credit policy then in effect. Short-and medium-term rates are still significantly lower than in the early part of 1953, prior to the approach of the credit squeeze. Long-term yields, on the other hand, fluctuated less in 1954 and have increased only moderately in recent months; they are now near the same levels as at the beginning of 1953.

Firming Tendencies—In view of the current and anticipated strength in business, the large financing requirements of long-term borrowers, and the increasing demands for bank credit in the period ahead, it would appear that the adjustment of long-term bond yields has not been fully completed, and that some further firming might reasonably be expected, especially in the corporate and municipal sector, where recent increases in yields have been particularly small.

In the short-term field, advances have been more widespread, but here too, some rates have lagged. Conspicuous among the laggards is the prime lending rate in commercial banking, which has remained unchanged at the 3% level since March, 1954, when it was reduced from 3¼% under conditions of lower credit demands and easy availability of bank reserves. With loan lemands rising, credit policy less liberal and the cost of bank reserves now higher, an increase in bank lending rates, including the prime rate, in the period ahead is a reasonable expectation.

The salient question in the outlook today is whether the certainty of large borrowings and the prospect of tighter credit in the months ahead coupled with high and mounting economic activity, may bring about a scarcity of funds, a sharp rise in interest rates and a general squeeze upon the money market such as developed in the spring of 1953.

Comparison with 1953—In general, the present money market environment differs importantly from that of the spring of 1953. Two years ago, the then newly-adopted flexible credit policy was still largely untried. The financial community was generally apprehensive of the intentions of the credit and debt management authorities and entertained what proved to be an exaggerated impression regarding the severity of the effects of moderate credit restraint. Today, both the financial markets and the authorities have the experience of 1953 under their belts. Borrowers who in 1953 advanced their financing in anticipation of higher interest rates soon found this a costly procedure in view of the subsequent rapid easing of credit, while lenders who had hoarded funds in the expectation of better terms discovered they had missed some attractive investment opportunities.

The financial community appears to be mindful of this experience. The recent rise in interest rates has been remarkably orderly, and the financial system has been singularly free of the nervousness that gripped the market during the previous business expansion two years ago, when fear of tight credit in the fall helped precipitate the credit crisis of the spring.

At present, there are few signs of anticipatory borrowing; indeed, the volume of new security issues has been relatively low in recent months. Some mortgage lenders appear less eager to make 30-year loans with little or no down payments, but they are continuing to acquire acceptable mortgages in record volume. In fact, the willingness of some institutional investors to "warehouse" mortgages with commercial banks has probably contributed to the relatively limited extent of the rise in long-term interest rates. The monetary authorities, finally, have refrained from aggressive proclamations regarding possible further restraints upon credit, so that the market this spring has been given no cause to doubt the readiness of the authorities to help avert a credit emergency.

At the same time, it should be recognized that there are other factors in the current situation which could enhance the possibility of a credit squeeze later in the year. Among these is the general expectation that business will remain active at least through the end of 1955. This is in striking contrast to the spring of 1953, when business sentiment was somewhat skeptical with respect to the latter part of the year. Today, with business confidence probably at an all-time peak, the volume of borrowing, spending and investing could well acquire growing momentum in the period ahead. Should boom conditions develop, they might lead to larger requirements for bank credit, a more restrictive credit policy, and a considerably tighter money market than anticipated at this time.

Experience so far in 1955 has been reassuring. In fact, considering the vigor of economic expansion and the prevailing high degree of business confidence, it is perhaps astonishing that interest rates, especially in the long-term field, have not reacted more sharply to the change in credit policy and to the prospect of large financing requirements yet to come. However, it would be unrealistic to assume that credit scarcities now belong to history. In any event, some volatility in the movements of interest rates and yields, especially on short- and medium-term securities, is the essential corollary of a flexible credit policy.

Implications for Commercial Banking

For the past several years, money rates and bond yields have moved in the same general direction as economic activity. They reached the highest levels in decades near the middle of 1953, when industrial production was setting a record, and declined sharply with the ensuing business adjustment. The vigorous expansion of business activity since around the middle of last year has again been mirrored quite faithfully in rising interest rates and, more recently, in a moderate but noticeable shift in Federal Reserve policy.

Lending Operations — Bank lending rates, as already observed, have not yet importantly reflected prevailing conditions in the money market, and some firming is to be expected. Furthermore, the moderate credit tightening under way is likely to produce greater selectivity in lending operations. This, indeed, is probably an underlying goal of credit policy in a business upturn: to encourage the maintenance of high lending standards, which means discriminating against marginal or speculative borrowers in favor of those whose financing will contribute to steady and productive economic growth. Consequently, an important responsibility of commercial bankers in the months to come will be to contribute toward carrying out the aims of the credit authorities and to avoid the temptation to relax lending standards, to take on lower grade credits, or to reduce down payments and extent maturities on instalment loans.

Investment Portfolios — Bank investment portfolios at present are of longer average maturity than they were in 1953, and are therefore more vulnerable to an increase in interest rates. Also, the effects of a more restrictive credit policy, should it prove necessary, would probably not be liimted to short-term interest rates. Consequently, bank investing policy had best proceed on the assumption that interest rates will fluctuate with changes in business conditions, that fluctuations particuarly of short- and medium-term rates are likely to be substantial, and that bond accounts will show alternating periods of book profits and losses.

Credit Outlook — All the evidence indicates that, short of an international emergency, the Federal Reserve will continue to follow a flexible credit policy. The policies currently pursued by the Federal Reserve can hardly be described as more than mildly restrictive and the recent shift in emphasis on the part of the authorities seems justified in the light of the strength of the recent business upturn. However, if the economy remains as active as seems probable at this time and demands for credit continue heavy, additional pressure is likely upon bank reserves, and the authorities may well permit economic forces to bring about some further increases in interest rates until they perceive signs of a softening in business conditions.

Although the possibility cannot be ruled out that economic developments may be such as to call for a more restrictive credit policy than has been the rule in recent months, the credit authorities in any event will furnish large reserves to the banking system in the latter part of this year. They are presumably anxious to assure that any further credit tightening that might become necessary should proceed as orderly as has been the case over the past few months, and unless an inflationary boom becomes rampant, they will wish to forestall the development of any serious unsettlement or crises in bond or money markets.

The authorities consistently live with the task of making credit policy responsive to changing economic conditions and of helping to keep the economy on an even keel. There is every indication that they are continuing abreast of current economic trends and are alert both to the hazards of excessive business expansion and to the possible adverse consequences of undue credit restraint.

Four With Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William H. Katzenmeyer, Howard D. Kraus, Robert Ross and Achiel L. Van Wanseele have become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

C. E. Wilson Gov. Of N. Y. Stock Exch.

Keith Funston, President of the New York Stock Exchange, has announced the election of Charles E. Wilson as a Public Representative on the Exchange's Board of Governors.

Charles E. Wilson

Mr. Wilson, who served 51 years with General Electric Co., becoming President in 1940, recently was appointed Chairman of the Board of W. R. Grace & Co. He succeeds Clarence Francis. Mr. Francis, a director and former Chairman of the Board of General Foods Corp., had been a Public Governor since May, 1952.

Mr. Wilson left General Electric soon after the outbreak of the Korean War to become the nation's first Director of Defense Mobilization. He joined W. R. Grace & Co. in 1952 as a director and consultant. His appointment as Chairman of that company marked the first time in its 101-year history that the office was not held by a member of the Grace family.

In assuming his new responsibility as a Public Governor, Mr. Wilson said:

"I have accepted this appointment because I believe so firmly in the Exchange's objective of spreading the direct ownership of our industrial resources among people throughout the country. I believe, too, in the Exchange's educational campaign to inform people about the contributions to the national welfare of our free enterprise business system."

The Exchange's Board has three Public Representatives. The others are John Sloan Dickey, President of Dartmouth College, and Charles R. Hook, Chairman of the Armco Steel Corporation.

C. F. Childs Adds

CHICAGO, Ill.—William T. Price has been added to the staff of C. F. Childs and Company, 141 West Jackson Boulevard.

This advertisement is not and is under no circumstances to be construed as an offering of any of the shares for sale or as a solicitation of an offer to buy any of such shares. The offering is made only by the Prospectus.

NEW ISSUE

200,000 Shares

PROGRESS MANUFACTURING COMPANY, INC.

Common Stock

(Par Value $1.00 per Share)

Price $10 per Share

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters as are registered dealers in securities in such State.

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Straus, Blosser & McDowell | **Cruttenden & Co.** | **Newburger & Co.**

May 20, 1955.

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In Opposition to Pay-TV

By FRANK STANTON

President, Columbia Broadcasting System, Inc.

Dr. Stanton presents arguments against the general introduction of pay-television, which, he says, would be a betrayal of 34 million families who have already spent $13½ billion for TV sets. Points out that under general pay-television expense to the average family would be $100 per year, meanng a total annual outlay of $3½ billion; more than is spent on shoes, doctors or electricity. Concludes television could not remain half-free and half-fee

CBS opposes pay-television because it would highjack the American public into paying for the privilege of looking at its own television sets. This is a betrayal of the 34 million families who have already spent $13½ billion for their sets in the expectation that they would be able to use them as much as they wanted without paying for the prerogative of watching.

Frank Stanton

Under pay-television, stations which are now broadcasting free programs would scramble the pictures and sound so that the set owner could not receive them unless he paid for each program. Such programs could be unscrambled only when a costly gadget, attached to the home receiver, is fed a coin or slug, a key or card for which the viewer pays. Since a station cannot televise two programs at once, any station broadcasting a scrambled pay program would necessarily have to eliminate its free program during that time period. Pay-television would black out the best of free television. In essence, this is a booby trap, a scheme to render the television owner blind, and then rent him a seeing eye dog at so much per mile—to restore to him, only very partially, what he had previously enjoyed as a natural right.

Pay-television promoters say they would be satisfied if they got $100 a year from the average family. On this basis, today's television audience would pay some $3½ billion a year—more than it pays for shoes or doctors or electricity — for viewing far fewer programs than it now watches without charge. This is three times the amount now being paid by the public for all spectator admissions.

Under the present system of American television, no set owner is deprived of a program because he is not as prosperous as his neighbor. But, once the turnstile of pay-television is placed in the living room, the families who rely most on television for their entertainment and information would be hit the hardest because they would be the ones who, for economic reasons, would have to restrict their viewing most severely. Television would no longer belong to all the people all the time.

One of the arguments made by the promoters of pay-television is that its introduction would hurt nobody. Try it out in the market place, they say. Surely this is in the American tradition. There would, they claim, be free television for those who want what they are now getting and there would be pay-television for those who want the unusual, the sort of entertainment and culture which free television cannot afford currently. But this is a specious claim, unsupported by the economic facts of life. It is the sheerest kind of sophistry and it is intellectual quicksand.

It is probable that pay-television would deliver an occasional heavyweight championship fight, and possibly such special entertainment as a multi-million dollar "first-run" movie, which the economics of present television cannot reach, at least as of today. On the other hand, the bulk of any programming for which pay-television would bid is bound to be the very kind of entertainment wnich already has found such high favor in present day free television. The result of this is that the public would be victimized into paying out billions of dollars a year for a programming service which they are now getting free.

If this scheme is authorized and becomes generally established, pay-television would be able to bid away from free television every kind of program which the public now enjoys. For example: For viewing the World Series at home, a tribute of some $6,000,000 per game would be levied on the public if each family which watched the Series in 1954 were forced to put up the modest sounding sum of 50¢ for each game. Thus the people would pay 15 to 25 times as much as is now being paid by the sponsors who bring them the games free.

If *only* 5% of the families who now watch Ed Sullivan's "Toast of the Town" would pay only 50¢ each to see the show, they would spend $375,000—two and one-half times as much as the sponsor now pays to bring it to the public free. The *other* 95% would then have the "free choice" that pay-television promoters want to give them: the free choice of *not* watching "Toast of the Town" or paying to see it. It's the old story of letting the camel get his nose into the tent. Once this happens, the channel on which "Toast of the Town" is broadcast would be scrambled out for everyone who doesn't pay.

What is true of these two examples is true of every one of the public's favorite programs. If pay-television is authorized, nobody could blame the owners of popular attractiions for putting them where they could produce the most income. No one can be so naive as to believe that popular programs would be broadcast free if they could be charged for.

Thus television could not long remain half-free and half-fee. Either television programs belong to the public free or they belong to the highest bidder. During the hours when most people watch television, co-existence would be unlikely; it would be an economic improbability.

It is claimed that under pay-television there would be more cultural programs appealing to small minorities. We believe the reverse to be the fact. If, as the pay-television promoters say, installing a minimum service in a single major city will cost tens of milliions of dollars, installing it throughout the total area now served by television will cost billions of dollars. People who make such an investment will have to get it back by putting on the type of shows which will attract the largest audiences. If a million families were willing to pay $1 each to see a movie and 100,000 people would pay $2 each to see a ballet, there would be no ballet.

It is difficult to believe that the Federal Communications Commission would authorize a scheme which seems to be so clearly contrary to the public interest. However, if pay-television should become established, economic necessity will force CBS to participate. Unlike theater owners, we have no economic axe to grind. We could expect to operate profitably under a system of pay-television. With our programming know-how, facilities and experience, we regard it as more than probable that we would earn our share of the billions of pay-television dollars. But this is not where CBS believes its best interests lie.

We are proud of the progress the broadcasting industry has made in establishing a nation-wide free television service. The pay-television promoters have continuously predicted the failure of free television at every point of its development; that it could never support itself without direct tribute from the public. They made these false prophecies 25 years ago and, as recenty as 1946, the President of Zenith Radio Corporation flatly stated "the advertisers haven't sufficient money to pay for the type of continuous programs that will be necessary to make the public buy television receivers by the millions." Today there are 36 million television sets in daily use. Unlike these false prophets, we set no limits to the increased and continually increasing service to the public of free television.

During the past seven years, and at the cost of a refrigerator, the average family has been able to convert its home into a center of information and entertainment not even the wealthiest could have enjoyed 10 short years ago. The finest talents of Broadway and Hollywood, the significant events of Washington, faces of Presidents and legislators, the art of museums and advances of science have become as familiar to television set owners as their neighbors down the street. And past advances are only a prelude to future accomplishments. We are unwilling to see the present system, under which everybody watches television as much as he wants, destroyed and a great and unifying medium of communication disrupted, with attendant dangers to our entire economy. The cost to the public in dollars and in the loss of free television far outweighs the potential gains of the pay-television scheme.

We believe, therefore, that the public's best interests and our best interests as well, lie in the continuing expansion of free television; that television channels now dedicated to all the public should not be used for the introduction of a system whose benefits to each viewer would be limited by his ability to pay.

Because the pay-television scheme would impose an unnecessary burden of billion of dollars on the American public; because it would charge the public for the popular programs it nows enjoys free; because it would become a discriminatory service, available in large part to only those who could afford to pay; because it would endanger the scope and quality of nationwide news and public service programming, we shall oppose it before the Federal Communications Commission.

Two With Campeau

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John H. Courtney and Elden J. Dreher have become affiliated with R. F. Campeau Co., Penobscot Bldg.

R. C. O'Donnell Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — George H. Liebel is now connected with R. C. O'Donnell & Co., Penobscot Bldg., members of the Detroit S. E.

Railroad Securities

Southern Pacific

During the long and consistent rise in rail stock prices, which has now lasted somewhat more than a year and a half, Southern Pacific common has been rather laggard in comparison with other rail stocks of roughly similar quality. About two years ago, for instance, it was selling a couple of points higher than Southern Railway while recently the latter has been selling nearly 60% above Southern Pacific. Granting that there have been important developments in the interim with respect to Southern Railway's debt structure and impending maturities this does not appear to be the only consideration affecting the relative market performance of the two stocks. Another important factor is that postwar Southern Pacific has not kept pace with respect to improved operating efficiency. In recent years its transportation ratio has been running above the industry average.

Many analysts believe that a significant change for the better in Southern Pacific's operating performance is in near term prospect. The road was somewhat laggard in dieselization and it is expected that this will be remedied by early delivery of an order for $30 million of locomotives. Considerable additional centralized traffic control and modern communications are being programed. Important yard modernization projects have already been completed and others are projected. The Central Pacific lines are being improved to the tune of roughly $40 million, most of which will be covered by rapid amortization certificates. All of these property and equipment projects should lead to substantial operating savings. In addition to the prospective improvement in transportation costs, it is expected that the company will go considerably further into mechanization of maintenance, allowing cuts in these ratios also. Thus, even without any rise in traffic and revenues a sizable increase in share earnings appears to be in prospect.

The prospect for a significant improvement in the operating ratio is not the only factor calling for a constructive attitude toward this company in the opinion of many analysts. With the industrialization of large segments of the service area, and with particularly wide population growth in many of the states served, Southern Pacific has displayed very impressive traffic and revenue trends. It is indicated that this territorial expansion has not as yet run its full course and that traffic trends will continue upward. The company is also substantially increasing its non-rail transportation activities through expansion of truck operations and construction of an oil pipe line. Finally, Southern Pacific has large non-rail interests for which prospects are bright. There are some 5,000,000 acres of land and/or mineral rights in California, Nevada, Texas and Utah. Oil interests feel that the acreage in Nevada in particular may prove very valuable on the basis of discoveries made last year.

Last year Southern Pacific's earnings on a consolidated basis dropped to $5.38 a share compared with $6.85 earned a year earlier, and just about on a par with average earnings over the past 10 years. During the first quarter of the current year gross revenues were up only a little more than 4% from the like 1954 period and Federal income taxes were nearly double those of a year earlier. However, the transportation ratio was cut by more than two points and the over-all operating ratio was about 3.5 points lower than a year ago. Earnings of $1.77 a share (consolidated) were almost 60% higher than in the opening 1954 quarter. While percentage gains will probably not be so wide during the balance of the year it seems quite certain that some further year-to-year improvement will be witnessed and for 1955 as a whole it is estimated that consolidated results will come at least to $7.00 a share.

Lockheed Aircraft Debentures Offered

Representing one of the largest financing operations of recent years within the aircraft industry, a new issue of $30,000,000 Lockheed Aircraft Corp. 3¾% subordinated convertible debentures due May 1, 1980 was offered yesterday (May 25) by an underwriting group headed jointly by Blyth & Co., Inc. and Hornblower & Weeks. The debentures are priced at 100% and accrued interest to yield 3.75% to maturity.

Conversion privilege extends through April 30, 1965 unless the debentures are called for earlier redemption. They are convertible into capital stock of the company at $50 per share, subject to adjustment. They are redeemable under a sinking fund commencing at 102% on May 1, 1960 and declining thereafter to 100% at May 1, 1965 and thereafter. Optional redemption prices range from 103% to the principal amount.

The company proposes to use the proceeds from the sale to meet increased cash requirements for larger inventories in connection with revision of terms of certain Government contracts; to enable it to accept new orders or undertake new projects for the Government arising from changes in procurement policies, and for additions and improvement to its properties and facilities.

This financing leaves the capital structure of the company at $30,000,000 of new debentures and 2,827,939 shares of $1 par capital stock. The indenture provides that the debentures are subordinated to the payment of all other indebtedness representing money borrowed except indebtedness subordinated to, or subordinated on a parity with, the debentures.

Lockheed, one of the largest companies in the aircraft building field, designs, manufactures and sells aircraft and spare parts. Various wholly-owned subsidiaries are engaged in activities generally related to aircraft, including operation of airports and repair and modification of aircraft.

Of the company's business volume in 1954, 81% represented sales of aircraft to the U. S. Government and 11% sales of aircraft and parts to commercial customers. At April 3, 1955 the estimated backlog of the company and wholly-owned subsidiaries amounted to about $1,085,401,000, approximately 84% of which represented orders from the Government.

Lockheed's sales in 1954 amounted to $732,872,000 and net income was $22,446,00, equal to $7.94 per share on the capital stock. The company's principal plants are in Burbank, Calif.

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Peter Konrad has been added to the staff of Straus, Blosser & McDowell, Bankers Equitable Building.

gitized for FRASER

British Doubts on Forthcoming "Big Four" Meeting

By PAUL EINZIG

Dr. Enzig reports that prospects of a meeting of heads of the Western Powers and Russia has failed to produce any dramatic effects on the British markets. Sees doubts of Soviet good faith, and holds, should the meeting result in an understanding, the effect is likely to be psychological rather than material.

LONDN, Eng. — The announcement that President Eisenhower is now willing to participate in a top level meeting of the heads of the United States, British, French and Russian Governments, and the Russian reaction to this development, failed so far to produce any dramatic effects on the markets. Sterling remained fairly steady with no definite tendency. The only immediate reaction was in "security sterling" which showed weakness following the announcement. Its decline is attributed to the desire of holders to hedge against the possibility of a Socialist victory at the General Election today (May 26). The prospects of an improvement of international political relations should cause sterling to appreciate, but owing to the proximity of the General Election there is no sign of any such tendency.

Dr. Paul Einzig

The Stock Exchange did not show any immediate response to the political news. It remained under the influence of the General Election factor. The improvement in the prospects of a Conservative victory affected equities favorably and Government Loans unfavorably. This is because shareholders are bound to benefit if the Conservative Government should be confirmed in office, while Government Loans might be affected favorably by the Socialist Government cheap money policy.

Possibly the reason why the favorbale change in the international political outlook has failed to produce any immediate financial effects is that it is looked upon with a certain amount of doubt. Even though on the face of it Moscow now appears to be more conciliatory, there is a widespread feeling that sooner or later the hitches will become apparent. On the basis of past experience businessment and investors would like to see more concrete of Soviet good faith before they are prepared to take Moscow's conciliatory gestures at anything like its face value. Meanwhile they cannot make up their minds whether there is much cause either for optimism or for uneasiness.

In any case, even if the heads of Government should meet in the near future, and if their meeting should result in an understanding, the immediate effect is likely to be phsychological rather than material. Under the proposed terms there would be no large-scale disarmament, at any rate for the time being. The standing armies of the Western Powers would remain substantial. Immediate cuts in military expenditures would be relatively moderate. The effect on production and on the balances of payments would be correspondingly restricted.

The mere fact that there have been no immediate spectacular effects should not convey the impression, however, that the change of attitude on the part of the Kremlin is of no importance from an economic point of view. If and when there should be substantial cuts in the arms production and stockpiling, it is liable to affect the economies of the free countries quite considerably. Unless adequate preparations are made to meet the situation there would be a possibility of a grave business recession developing into a slump.

In 1954 a popular British writer of spy fiction, Bernard Newman, published a novel entitled "Wishful Think," in which the Soviet Government pretended to accept all the terms of the Western Powers concerning disarmament and the termination of the cold war. It was found that Moscow's object was to bring about by such means an economic crisis in the democratic countries. The new rulers of the Kremlin may have read a translation of this imaginative piece of writing and it may have given them an idea or two. Or perhaps they may have arrived at the same idea independently through sheer coincidence. In any exent it would be surprising if the Communists leaders overlooked the possibility of achieving a practically bloodless world conquest as a result of an economic collapse in the democratic countries. That idea played in fact a decisive part in the shaping of Communist foreign policy during the early postwar period. Soviet Russia had abstained from embarking on world conquest by force of arms, not only because of the deterrent effect of the atom bomb, but also because Moscow considered it expedient to wait, in the hope of being helped by a slump in the Western countries.

Owing to the recovery of the United States from the business recessions of 1949, 1951 and 1954, wishful thinking in this respect must have been abandoned in Moscow. The Communist leaders must have realized that a major slump is not likely to develop on its own accord. This may possibly have led to the present attempt to engineer a slump by agreeing to some disarmament scheme.

In itself the suspicion that the change in the Soviet attitude is inspired by such motives is no reason for not welcoming the change. There may be strong military and political arguments against disarmament, owing to the ever-present danger that the Communist countries would be in a better position to conceal their arms strenght or to reconstruct it at short notice. The argument that disarmament is liable to lead to a slump must not be allowed, however, to influence the Western attitude towards disarmament. It has always been one of the favorite arguments of Communist propaganda that full employment under capitalism is only possible as a result of heavy arms expenditure. It is for the Democratic Governments to prove that, from an economic point of view at any rate, they are not afraid of disarmament.

The Communist argument may have had some foundation in the past. But the new economic and social policies adopted in the free countries since the war have made it evident that it is now possible to maintain a high level of employment even in the absence of large-scale military expenditure. The danger lies in the transition period during which a sudden reduction of arms production and stockpiling demand for raw materials is liable to set in motion a deflationary spiral which, if allowed to proceed two far, might get out of control. It is against this danger that the Governments of the Democratic countries must plan adequate measures before disarmament can produce its economic effects. Each Government should elaborate the necessary measures to maintain trade and employment in its own country and these measures should be coordinated and supplemented by international action.

There is no time to lose. If it is realized that the matter is given the necessary attention, this would go a long way towards mitigating the immediate psychological adverse effects of the conclusion of a disarmament agreement. This would give the Democratic Governments enough time to adopt the necessary measures before the disarmament agreement is put into operation.

Progress Mfg. Stock Offering Completed

Blair & Co. Incorporated and Emanuel Deetjen & Co. were joint managers of a syndicate which on May 20 offered 200,000 shares of Progress Manufacturing Co., Inc. common stock (par $1) at a price of $10 per share. This offering was quickly oversubscribed. Of the 200,000 shares offered, 122,053 shares were sold on behalf of the company and 77,947 shares sold on behalf of certain selling stockholders.

Net proceeds from the sale of the 122,053 shares offered for the company, together with such additional funds as may be required, will be applied to the prepayment of the balance of the company's 4% bank note due Aug. 12, 1959. Proceeds from the note, originally $1,400,000, were used for the redemption of all of the company's outstanding 7% cumulative preferred stock.

Progress Manufacturing Co., Inc., and its two wholly-owned subsidiaries are engaged in the manufacture and sale of a wide variety of lighting fixtures primarily for residential use. Fixtures produced by the company and its subsidiaries include both incandescent and florescent fixtures for kitchen, bathroom hall and general residential use as well as many lantern-type fixtures for outdoor and garden use.

For the year 1954, the corporation and its subsidiary, Minute Mount Co., Inc., had total net sales of $12,308,450 and net income of $670,654, equal to $1.22 per common share.

Joins Craig Hallum

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Vincent O. Law, Jr., is now with Craig-Hallum, Inc., Rand Tower.

Securities Salesman's Corner

By JOHN DUTTON

Toll Road Bonds

The public is now becoming aware of the attractiveness of the many "Toll Road" bonds which are available on the market, affording income yields that are exempt from taxes from a range of 2½% all the way up to 4½%. Other tax exempt obligations of the various bridge and tunnel authorities are also available and offer similarily attractive yields. Although as usual institutions and informed investors have been in the vanguard and have bought most of these attractive issues as soon as they have been offered during the past few years, the lay public is now beginning to wake up and buy them too.

And Why Not?

Here are bond issues that run into the many, many millions. An investor can buy five or ten thousand, or a half million of these bonds and enjoy marketability that is second to none. He can sell his bonds through any broker or dealer in securities just about as quickly as he can pick up the telephone. I sometimes wonder why it is that the people in the securities business have been so lax in the matter of informing the public just how much these widely held issues of tax exempt securities are so vastly superior in marektability to many other forms of investment. True, high grade municipal bonds will fluctuate with money rates, but medium grade toll road bonds, and authority bonds will fluctuate even less so in this respect. These bonds are acceptable collateral with banks for the purpose of medium term or short borrowing. They meet every test of a conservative investment and they provide both market stability and excellent marketability.

The Yield

The difference between 3% taxable and 3% tax exempt, to a man who has to pay out 50% of this income (in taxes) amounts to just doubling the income that he can keep if he holds tax exempts. If he has a program and he expects to hold these reserves for a year or two, or for five or 10 years, when you add compound interest to this tax exempt set-up as against a taxable income, you begin to come up with some mighty persuasive arguments for these tax exempt bonds.

Advertise Them

People are busy, they are trying to make money in their own business. They are usually not interested in working out the advantages of converting an investment upon which they now pay heavy income tax and turning these funds into tax exempt bonds. But you can show them these advantages and awaken their interest.

If there is a toll road being built near your community—if there is a new road in your state—a new bridge where a ferry used to be—a tunnel that cuts off many labored miles, or a causeway that is going to save time and tempers as well as human lives in the future, tell it to your customers. Tell it to the people in your town by offering them information as to how they can make their savings grow just twice as fast in these good tax exempt securities.

* * *

The other day a salesman received a call from a customer who claimed that the price he paid for an unlisted security was higher than it was quoted in the daily paper. The salesman politely said: "The next time you want to buy some of this stock, Mr. Smith, why don't you call up the daily paper, **and if they'll sell it to you** at the price it was offered in the paper, call me and I'll pay you a quarter of a point more for it." He made his point! Quite often the spread on unlisteds in the papers is out of line with markets.

Arthur Wright Wire To Chas. King in N. Y.

PHILADELPHIA, Pa. — The Philadelphia investment securities firm of Arthur L. Wright & Co., Inc., 225 South 15th Street, announces the installation of a direct private wire to Charles King & Co., 61 Broadway, New York, N. Y. Charles King & Co. are members of the Toronto, Montreal, American and Canadian Stock Exchanges.

Arthur L. Wright & Co., Inc. also maintains direct private wires to A. W. Benkert & Co., Inc. and Wm. V. Frankel & Co., Inc., New York and C. T. Williams & Co.; Baltimore, Maryland.

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

NEW ISSUE

150,000 SHARES

Inter American Industries, Inc.

COMMON STOCK

(Par Value 10¢ per share)

Price $5.00 Per Share

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ADVERTISEMENT ADVERTISEMENT ADVERTISEMENT

SOUTHERN RAILWAY COMPANY

Sixty-First Annual Report for the Year Ended December 31, 1954

March 23, 1955.

To the Stockholders of

SOUTHERN RAILWAY COMPANY:

With the approval of our Board of Directors, I submit this report of the affairs of Southern Railway Company for the year ended December 31, 1954. It will be formally presented to our stockholders at the annual meeting due to be held in Richmond, Va., on May 17, 1955.

In 1954, your railroad was operated with outstanding efficiency and economy, as measured by the transportation ratio, the operating ratio, and other yardsticks of good operation. This was not sufficient, however, to overcome a severe drop in operating revenues and net income as compared with the high receipts and earnings of 1953.

However, the downward trend in business which began in November, 1953, was reversed in November, 1954. Our gross for the latter month was 4.05% above November, 1953. December gross freight revenue substantially improved over the same month of 1953. This improvement trend has continued in the first quarter of 1955 and is hopefully expected to continue throughout the year.

Industrial development of the South served by the Southern went ahead at an inspiring pace. In 1954, new plants, new large distribution warehouses, and major additions to existing facilities, a combined total of 353, represented an investment of more than $508 million. It is estimated that these new and expanded facilities will produce annual rail freight revenue in excess of $20 million. Prospects for another year of steady industrial growth are exceedingly favorable.

The Directors and your management wish to thank the stockholders for their support and confidence, and to acknowledge with appreciation the contributions of our employees to the Company's progress in the year 1954.

Sincerely,

HARRY A. DEBUTTS,
President.

HIGHLIGHTS OF THE YEAR

	1954	1953	1952
Operating Revenues	$249,079,701	$275,212,346	$271,624,397
Operating Expenses	176,101,146	186,399,731	188,102,101
Operating Ratio	70.70	67.73	69.25
Transportation Ratio	31.91	30.65	32.64
Tax Accruals (Federal, State and Local)	$33,937,887	$42,952,412	$43,352,931
Taxes Per Share of Common Stock	13.07	16.54*	16.69*
Net Income	$26,262,681	$33,190,325	$27,834,916
Net Income Per Share of Common Stock after Providing for Dividend on Preferred Stock	8.95	11.62*	9.56*
Dividends Per Share of Preferred Stock	$2.50	$2.50*	$2.50*
Total Dividends on Preferred Stock	3,000,000	3,000,000	3,000,000
Dividends Per Share of Common Stock	3.50	2.50*	2.00*
Total Dividends on Common Stock	9,087,400	6,491,000	5,192,800
Number of Stockholders	18,474	19,067	18,244
Number of Shares of Stock Outstanding:			
Preferred	1,200,000	1,200,000*	1,200,000*
Common	2,596,400	2,596,400*	2,596,400*

*Adjusted to give effect to 2 for 1 stock split in June, 1953.

THE YEAR 1954

Operating Statistics

The statistics that follow are for the *entire* year, although a statistical analysis would probably differentiate between the first ten months and the last two inasmuch as the receipts and the performance figures were getting comparatively better as the year progressed.

Operating Revenues in 1954 were $249,079,701, down 9.50%, or $26,132,645 from 1953. Freight Revenue fell off 10.21% and Passanger Revenue declined 11.06% from the previous year.

The volume of business handled in 1954 and the receipts therefrom, as compared with 1953, were:

	1954	1953
Freight moved (tons)	58,026,459	62,780,260
Average distance moved (miles)	225.22	213.26
Ton miles	13,203,652,889	13,388,753,269
Average revenue per ton mile	1.609¢	1.767¢
Total freight revenue	$212,394,314	$236,557,267
Number of Passengers	2,231,324	2,472,143
Average journey (miles)	245.79	249.89
Passenger miles	548,433,268	617,759,823
Average revenue per passenger mile	2.825¢	2.820¢
Total passenger revenue	$15,494,242	$17,420,561

Operating Expenses *decreased* by $10,298,585, or 5.52%, as compared with 1953, the larger savings being $5,036,619 less Maintenance of Equipment Expense, and $4,867,282 less Transportation Expense. Maintenance of Way Expense decreased by $518,782.

Railway Tax Accruals declined by 20.99% from the corresponding 1953 Accruals and amounted to $33,937,887. *This represented about 13¢ out of each dollar of Operating Revenue* and was equivalent to *$13.07* per share of Common Stock, as compared with a net earning thereon for the year of $8.95.

Net Railway Operating Income, being what is left of Operating Revenues after deduction of all Operating Expenses, Taxes, and Equipment and Joint Facility Rents, amounted for the year 1954 to $34,557,054, as compared with $41,986,218 for 1953, a decrease of 17.69%.

A comparison of the ratios for 1954 with those of the two preceding years of the several subdivisions of Operating Expenses, Taxes, and Equipment and Joint Facility Rents, expressed in the number of cents out of each dollar of revenue, is as follows:

	1954	1953	1952
Transportation	31.91¢	30.65¢	32.64¢
Maintenance of Way	14.20¢	13.04¢	12.69¢
Maintenance of Equipment	17.63¢	17.83¢	17.88¢
Traffic Expense	2.01¢	1.86¢	1.93¢
General Expense	4.04¢	3.52¢	3.14¢
Incidental Expense	0.86¢	0.83¢	0.97¢
Totals	70.70¢	67.73¢	69.25¢
Taxes	13.63¢	15.61¢	15.96¢
Equipment and Joint Facility Rents	1.80¢	1.41¢	1.40¢
Grand Totals	86.13¢	84.75¢	86.61¢

After the above deductions, there remained for fixed charges, for capital and corporate needs, including the proposed retirement of the 1956 maturing bonds, and for the owners, 13.87¢ out of each dollar of the year's gross, as compared with 15.25¢ in 1953, and 13.39¢ in 1952.

Net Income

Net income was $26,262,681, as compared with $33,190,325 for 1953, and $27,834,916 for 1952.

After a dividend of 5% on the Preferred Stock, consuming $3,000,000, the balance of Net Income was equivalent to $8.95 per share on the Common Stock, as compared with $11.62 in 1953 and $9.56 in 1952, the latter figure adjusted for the stock split in June, 1953.

Rapid amortization on certain capital investments made in aid of national defense, allowable in computing federal income taxes, but not chargeable to regular depreciation under Interstate Commerce Commission accounting regulations, effected a reduction in such taxes for 1954 of approximately $4,048,000, being equivalent to about $1.56 per share of Common Stock.

For illustration of progress in the ability of the property to produce net earnings, the results of 1954 may be compared with the results of the year 1945. Although the gross revenues of the two years were not far apart (being about $247,500,000 in 1945 and $249,000,000 in 1954), Net Income for 1945 was equivalent to $5.12 per Common Share as compared with the 1954 earnings of $8.95. After deducting from the latter figure the tax deferment from rapid amortization, there still remains $7.39 per Common Share for 1954, an increase of 44% over 1945.

Thus, in dollars, in spite of sharply higher costs of labor and materials, on a gross which exceeded the earlier year by only $1,542,868, the Company earned a net income in 1954 of $9,963,960 more than in 1945.

Dividends

During 1954, dividends of 5% on the $50 par value non-cumulative Preferred Stock were continued, at the rate of 62½¢ per share per quarter. On the Common Stock quarterly dividends of 62½¢ per share were paid in March, June, September and December, 1954, out of the surplus net earnings of 1953 after providing therefrom for the 5% Preferred dividends. There also was paid on the Common Stock, on February 16, 1954, an extra dividend of $1.00 per share out of the same surplus net earnings of 1953.

Thus total disbursements for dividends, out of 1953 earnings, aggregated $2.50 per share, or $3,000,000 on the Preferred Stock, and $3.50 per share (including the extra of $1.00 per share), or $9,087,400, on the Common Stock. The total of $12,087,400 is the largest amount of dividends paid in any recent year.

Out of the surplus net earnings of 1954, after providing for dividends of 5% on the Preferred Stock, there were declared an extra dividend of $1.00 per share on the Common Stock, which was paid on February 15, 1955, and a dividend of 75¢ per share on the Common Stock, which was paid on March 15, 1955. This latter dividend of 75¢ per share compares with a dividend of 62½¢ per share on the Common Stock which was paid in the previous year, on March 15, 1954.

Operations

The efficiency of the property of the Company, as an operating entity, has increased markedly through recent years. This has resulted from the coordination of large capital improvements for modernization and mechanization, costing over $230,000,000 in the 1946-1954 post-war period, and the extraordinary accompanying advancement in economical operating techniques.

In the past six years, the Company's freight haulage performance has improved by nearly two-thirds, producing 48,960 gross ton miles per freight-train hour in 1954 as compared with 29,577 ton miles in 1948.

Wages, for the Company and all other railroads, are the principal element in Operating Expenses, but despite the many increases in wage rates, the cost of wages to the Company, expressed in cents out of the operating dollar, has decreased, because of economies resulting from capital expenditures and efficiency techniques, from 48.1¢ in 1948 to 44.3¢ in 1954. The latter figure may be compared with approximately 49.0¢ in 1954 for all Class I railroads.

The Cost of Transportation Ratio was 31.91¢ for 1954. The Operating Ratio was 70.70¢.

The Company in 1954, before Federal Income Taxes, brought down 21.09¢ out of its operating dollar as compared with 17.10¢ in 1948, a substantial improvement, and one which ranks well with other leaders of the industry.

The operating emphasis in the year just closed has been primarily on the mechanized "streamlining" of maintenance of way, further concentration and mechanization of equipment maintenance, elimination of duplicate practices and services, and a drive, in general, to save the last possible penny out of the Company's gross revenues.

The Company continued its program of discontinuing unprofitable passenger trains, and thirty such trains were discontinued on Southern Railway System Lines during 1954.

During the year, there were abandoned and scrapped, with authority of the Interstate Commerce Commission, 9.8 miles of the leased line of the Transylvania Railroad Company, running from Rosman to Lake Toxaway, N. C. Operation of this segment had been discontinued late in 1953.

New Rail

During 1954, there were laid 30,024 tons, or 146.12 miles of new rail, as compared with 28,739 tons, or 149.82 miles, laid in 1953.

The Company has ordered 36,000 tons of new rail for the year 1955.

New Equipment

Early in 1954, the Company received and put into service the thirty-nine 70-ton flat cars, the 240 70-ton covered hoppers and the 250 95-ton ore cars referred to in the Annual Report for 1953; but no new rolling stock was ordered during the year.

In January, 1955, there were ordered, for delivery early in the year, 1,200 50'6" 50-ton all-steel box cars. The entire cost of these cars, estimated at approximately $10,000,000, is contemplated to be financed by means of a Conditional Sale Agreement, payable in twenty-four equal semi-annual installments with no down payment, at an interest cost of 3% per annum. The Company also has on order two Diesel-electric road-switching locomotives for delivery in August, 1955, which will be paid for in cash.

Equipment Obligations

At December 31, 1954, the Company's outstanding Equipment Obligations amounted to a balance of $75,489,165, as compared with $85,015,025 at the end of 1953.

A *pro forma* statement for 1955 would indicate, after adding in the Conditional Sale Agreement covering the 1,200 box cars to be acquired in 1955, an outstanding balance of Equipment Obligations of approximately $75,982,460 at December 31, 1955, the installments of equipment debt payable in 1955 of $9,502,705, being offset by estimated depreciation (exclusive of rapid amortization) chargeable to operating expenses, in the amount of approximately $9,200,000.

Acquisition of New Lines

For many years during and after the depression of the 1930's, it became necessary in the Company's interest and in that of its affiliates and subsidiaries, to abandon with ICC approval substantial segments of unprofitable mileage to effect the great savings detailed in the Annual Reports for those prior years.

With the increasing industrialization of the South, however, and the spreading of the industrial potential into new territory, an interesting development has taken place in the recent past, and is continuing, wherein the Company, its affiliates and subsidiaries, have found it advisable and profitable for them to acquire certain short lines and additional mileage as feeders to the System. This is a complete turn-about in the Company's outlook.

The first instance was the acquisition in 1952 by the Company's affiliate, the New Orleans and Northeastern, of the Louisiana Southern Railway Company, at a cost of approximately $1,038,000. The line of the railway extends from New Orleans along the east bank of the Mississippi River, a distance of 14.7 miles to Braithwaite, Louisiana. It is being operated separately as a short line. A valuable new industrial territory thus became available to Southern Railway System, and already the Louisiana Southern is currently applying to the Interstate Commerce Commission for authority to extend its line 3 miles to reach the site of what promises to be a major new industry.

Again, in 1954, the Company's affiliate, the Georgia Southern and Florida, acquired all the stocks of two railroads, located in south Georgia and north Florida, at a cost of approximately $1,020,000. One of these railroads is The South Georgia Railway Company, extending from Adel, Georgia (where it connects with the Georgia Southern and Florida), to Foley, Florida, a distance of 77.48 miles. The other railroad is the Live Oak, Perry and Gulf Railroad Company, extending from Springdale, Florida, to Live Oak, Florida, operating, with a branch, a total of 58.37 miles. These two lines connect with each other at Perry and Foley, Florida.

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SOUTHERN RAILWAY (Continued)

These lines serve another major new industry and constitute not only a profitable venture at present, but also are expected to become a more profitable one as other industries develop in this new territory.

Finally, the Company has agreed to acquire, at the cost of about $525,000, the capital stock of the Atlantic and East Carolina Railway Company, subject to approval of the Interstate Commerce Commission. This company leases and operates a short line railroad extending from Goldsboro, North Carolina, to Morehead City, North Carolina, a distance of 95.82 miles, the controlling ownership of the lessor being in the State of North Carolina, which is vitally interested in the development of the port and the new port facilities of Morehead City, on the Atlantic Ocean. The Company believes that this acquisition will ensure the present and future development of the territory and port. It also believes that its operation, together with the operation by the Company, under lease from the Navy Department of the United States Government, of the Marine Corps railroad, 36 miles in length, serving the Marine Corps base at Camp Lejeune, will be most profitable, and will greatly benefit the economic well-being of the entire State of North Carolina.

When authority is granted by the Commission, the Marine Corps line will be operated by the Camp Lejeune Railroad Company, a new corporation all of whose stock will be owned by the Company.

With these acquisitions, the mileage to be operated by the Company, its System affiliates, and its and their short line subsidiaries, will aggregate approximately 8,100 miles.

Use in 1954 of the Company's Financial Resources

In addition to meeting all of its current expenses, taxes and fixed payments, the Company paid from its treasury cash the following conspicuous items:

(1) For capital improvements to Road and Structures, $7,541,885; for Equipment, $13,780,111, consisting of installments of Equipment Obligations, $9,525,860 and for additions and betterments to equipment, $4,254,251, making an aggregate of $21,321,996 capital expenditures for the year, as compared with $21,979,076 in 1953;

(2) For dividends, $12,087,400, being $2,596,400 more than in 1953;

(3) For advances to its real estate subsidiary of moneys for the acquisition and construction of new industrial facilities to produce income to the Company, $916,495; and

(4) For the acquisition and cancellation of $2,605,000, principal amount of the Company's Development and General Mortgage Bonds, and the acquisition by a subsidiary of $45,000, principal amount of the Company's East Tennessee, Virginia and Georgia Bonds, both issues maturing in 1956, $2,744,059.

The Company had left on December 31, 1954, (a) investments in United States Government securities in the principal amount of $71,601,500, held in reserve for the acquisition of debt or reduction of maturing obligations, subject to further order of the Board of Directors, and (b) cash of $28,811,809, as shown in the balance sheet, the latter being reducible by items which were not cleared through the banks at the close of business for the year.

Acquisition of Additional Interest in the Common Stock of the Cincinnati, New Orleans and Texas Pacific Railway Company

A substantial acquisition of stock of The Cincinnati, New Orleans and Texas Pacific Railway Company was effected in November, 1954, with Interstate Commerce Commission approval. This was financed through the sale, under competitive bidding, of the Company's Collateral Promissory Note, dated November 1, 1954, in the principal amount of $15,000,000 (payable in installments of $500,000 on November 1, 1955, $500,000 on November 1, 1956, and $1,750,000 on November 1 in each of the years 1957 to 1964, inclusive), at par, with interest at 3.23% per annum.

The entire proceeds of such loan were used to pay the purchase price of $15,000,000 to The Baltimore and Ohio Railroad Company for its interest in the stock of Southwestern Construction Company. The Southwestern Construction Company, a holding company, was immediately merged into the Company's System affiliate, The Cincinnati, New Orleans and Texas Pacific Railway Company; and the Company's interest in Southwestern was converted into its allocable proportion of the common stock of The Cincinnati, New Orleans and Texas Pacific Railway Company, formerly held by Southwestern.

The result of the transaction was that the Company acquired 112,480 additional shares of the common stock of The Cincinnati, New Orleans and Texas Pacific Railway Company. This is an additional 25% interest in the latter, which, at the current rate of dividend being paid thereon, produces an income to the Company, after the Federal Income Tax on intercorporate dividends at the current rate, of $829,650 annually. The net return (after deducting the cost, after Federal Income Taxes, of the interest on the purchase money loan) amounts to $597,090 the first year, and will progressively increase as the loan is curtailed.

The acquisition of this substantial additional interest in The Cincinnati, New Orleans and Texas Pacific Railway Company is also another step in the integration of ownership by the Company of its System affiliates.

After such acquisition, the Company owns directly 165,028 shares of The Cincinnati, New Orleans and Texas Pacific Common Stock, and the Company's System affiliate, The Alabama Great Southern Railroad Company (in which the Company has a 56% interest) owns directly 147,033 additional shares. The total ownership by the Company and its affiliates in such common stock aggregates approximately 71%.

NET FUNDED DEBT AND FIXED CHARGES

	Dec. 31, 1954	Dec. 31, 1953
Funded Debt (Table 4)	$184,015,500*	$171,815,500‡
Leasehold Estates (Table 6)	26,258,700†	26,408,100§
Equipment Obligations (Table 5)	75,489,165	85,015,025
Amounts Payable to Affilated Companies (Table 3)	550,605	550,605
Totals	$286,313,970	$283,789,230

*Does *not* include $12,474,000 of the Company's St. Louis Division 4% Bonds and $4,519,000 of the Company's East Tennessee, Virginia and Georgia 5% Bonds due in 1956, both held by a subsidiary, although the amounts of both of these issues are shown in Table 4, *supra*.

†Does *not* include $18,516,900 of Securities on Leasehold Estates, owned by the Company or its subsidiaries as of Dec. 31, 1954, although these Securities are shown in Table 6, *supra*.

‡Does *not* include $12,474,000 of the St. Louis Division Bonds and $4,474,000 of the East Tennessee Bonds referred to in footnote (*) above.

§Does *not* include $18,548,500 of Securities on Leeasehold Estates owned by the Company or its subsidiaries as of Dec. 31, 1953, although these Securities are shown in Table 6, *supra*.

The fact that net Funded Debt as of December 31, 1954, shows an increase of $2,524,740 over the previous year, the first *increase* in many years, is due entirely to the inclusion therein of the $15,000,000 purchase money Collateral Promissory Note, to be amortized within ten years, referred to above, which also serves to increase the Company's fixed charges. Although the increase is more than off-set by the return on the common stock of The Cincinnati, New Orleans and Texas Pacific acquired with the proceeds of this Note, the return, however, appears in Other Income rather than in a reduction of fixed charges.

The Company's net fixed charges, on an annual basis, as defined by the Interstate Commerce Commission, were approximately $12,279,000 at December 31, 1954, a slight decrease from the corresponding amount at December 31, 1953.

The current net fixed charges are equivalent to only 4.93% of 1954's gross.

Debt Reduction and the 1956 Maturities

From January 1, 1938, to December 31, 1954, inclusive, the Company and its affiliates retired securities, on which they were required to pay fixed charges, theretofore outstanding in the hands of the public in the amount of approximately $168,786,500.

Included in this aggregate were $62,948,000 principal amount of the Company's Development and General Mortgage 4%, 6% and 6½% Bonds due April 1, 1956, and $4,519,000 principal amount of its East Tennessee, Virginia and Georgia 5% Bonds due November 1, 1956.

There remained of these two issues, originally outstanding on January 1, 1942, in the aggregate principal amount of $124,103,000, a balance of $56,636,000 at December 31, 1954, a reduction during 1954 of $2,650,000.

The Company expects to pay these bonds (less any acquired in the meantime), at their respective maturities, from treasury cash. If this be done, fixed charges will be reduced by approximately $2,785,000 annually from this source.

Industrial, Forest and Agricultural Development

Construction of new factories moved at a slower tempo numerically than in 1953 but the outlay in new plant investment, exclusive of TVA and other governmental expenditures, exceeded that of the previous year by more than 60%. Diversification was the significant feature of the new industrial projects, with plants established to manufacture precision tools and machinery, silverware, lawn mowers, electric clocks and wool carpeting. Further developments also took place in the electronics and metalworking fields, and in the production of air conditioning equipment.

The healthy and substantial growth of existing industry was the most gratifying aspect of the year's industrial gains. The number of additions made to existing plants surpassed that of any year since World War II, with textiles, furniture and containers heading a varied group of items, the production of which was materially increased.

Investment in expanded plant facilities was nearly 75% greater than in 1953.

Production was begun at three major pulp and paper mills mentioned in prior years' Reports, and at a large rayon pulp mill near Jesup, Georgia, included in 1954's plants report.

Announcement has recently been made of large expansions projected for existing pulp and paper mills at Charleston, South Carolina, and Palatka, Florida, and a third paper company has just acquired a site in west central Alabama for a proposed new plant. Still another major producer is considering a southern location, and sites along the lines of the Company are among those being studied in its survey. The South now produces a little more than 60% of the pulpwood harvested in the nation, and forestry experts estimate that with the advances being made in cultivation and conservation methods the area can support twice its present pulp and paper capacity. The South's pulp and paper industry should continue to expand substantially as the country's population increases. These operations have brought about the establishment of many pulpwood concentration yards along the lines of the System. The wood-yards are important not only because they are good revenue producers but also because they stabilize the economy by providing a ready market for the farmer and small land owner. Twelve such yards were set up along the lines of the Company in 1954; they are expected to produce annual revenue of more than $650,000.

The growing importance of lithium chemicals is having a favorable effect on the development and diversification of industry in the Company's territory. The largest known deposits of spodumene ore from which lithium chemicals are made are found in Gaston and Lincoln Counties, North Carolina. In 1951, a spodumene refinery was established at Kings Mountain, North Carolina, and a lithium chemical plant at Sunbright, Virginia, in the following year. Capacity of both of these installations was doubled in 1954, and another large refinery was located at Bessemer City, North Carolina.

Produce terminals were established on the Company's tracks at Louisville, Kentucky, and Jacksonville, Florida. Similar facilities to be served by the Company are now being considered for other cities.

New Plants

During the year, 102 new industries were located at points served by System lines. These plants aggregated an investment of more than $378,000,000 ($133,000,000 of which represents private capital), with estimated new annual rail freight revenue exceeding $8,000,000, and providing a potential of 11,660 jobs.

Distribution Warehouses

Last year's Report noted the growing number of distribution warehouses being set up throughout the territory as indicative of the area's increased purchasing power and expanding markets. This trend continued during 1954, with 98 distributors opening up facilities along the railroad, the largest number in any single year since a record of new warehouses has been maintained. Notable expansion was made for the storage and distribution of petroleum products, leaf tobacco, flour-feed-fertilizer, building materials, food products and chemicals. Annual gross revenue to be derived from these operations is estimated in excess of $2,500,000.

Additions to Existing Facilities

There were 153 expansions, costing a little more than $130,000,000, made to existing facilities along the System's lines in 1954. It is estimated that these expanded operations will produce an additional annual rail freight revenue of more than $10,000,000 and provide 5,125 new jobs.

Agriculture—Livestock—Forestry

Alert to the importance of a sound agricultural economy, the Company is taking an active interest in the promotion of additional ammonia-base fertilizer manufacturing and distributing facilities. There has been a substantial increase in the use of liquid fertilizer, and the territory served by the System possesses many advantages and opportunities for its further development.

Expansion of livestock and poultry production continued and with it the location of several large feed mills.

Growth of the pulp and paper industry has brought about increased interest in pulp-wood production, and thousands of "tree farms" are being established.

With a balanced and diversified crop program, modern machinery, more efficient production methods, increasing interest in supplemental irrigation, and wider markets, the outlook for the Southern farmer is bright.

Of General Interest to the Stockholders

Electronic Data Processing Machines

In 1955 the Company will place in service Electronic Data Processing Machines designed to perform repetitious paper work on a more efficient and economical basis. It is anticipated that this program will expand rapidly and materially over the next few years. Intense study is being given not only to increased efficiency and economy in performing functions which are now performed manually or with less adequate machines, but also to the development of new techniques and analyses of basic information heretofore too costly to undertake.

It is expected that ultimately these machines can be adapated to empty car distribution, with large economies resulting from faster and better handling of such equipment, plus increased shipper satisfaction.

Rates, Fares and Mail Pay

No general increases were sought by the railroads in freight rates during the year as the increase of 15%

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SOUTHERN RAILWAY (Concluded)

granted by the Interstate Commerce Commission in *Ex Parte 175*, now in effect, is not scheduled to expire until December 31, 1955.

However, since certain of the states in the South, i.e., Alabama, Kentucky, North Carolina, South Carolina and Tennessee, did not grant the railroads' petitions for the same general increase, as to intrastate traffic, as granted by the Interstate Commerce Commission in *Ex Parte 175*, proceedings accordingly were instituted with the Interstate Commerce Commission under Section 13 of the Interstate Commerce Act as to intrastate rates in those states. These proceedings are still pending except as to North Carolina.

As to that state, the Interstate Commerce Commission entered an order finding that the intrastate rates and charges were discriminatory against interstate commerce and ordered removal of the unlawfulness found to exist. The state of North Carolina, and others, instituted suit in the United States District Court for the Eastern District of North Carolina to set aside and annul the order of the Commission. Upon dissolution of a temporary restraining order the increased rates became effective on December 18, 1954. In a decision dated February 11, 1955, the District Court upheld the Commission's order.

These intrastate freight rates, on an annual basis, will improve the Company's freight revenues by an estimated $900,000 on the present level of traffic. Of this amount, approximately $500,000 per annum is involved in the North Carolina litigation.

During the year, the Company found it necessary to reduce the freight rates on a number of important commodities, either to hold the traffic or in an effort to regain traffic which had been lost to other modes of transportation.

As indicated in last year's Report, the railroads' amended application seeking a 10% increase in compensation for the transportation of United States Mail and the services connected therewith, was granted by the Interstate Commerce Commission in its order of March 15, 1954, in Docket 9200, effective from October 1, 1953.

Federal Tax Liability 1941-1946

A settlement of the controversy referred to in prior Reports over the Company's liability for Federal Income and Excess Profits Taxes for the years 1941 through 1946 has been agreed upon between the Company and the Internal Revenue Service. Under the settlement the Company makes additional payments of taxes for some of the years, and receives refund credits for taxes paid for other years, subject to review by the Joint Committee on Internal Revenue Taxation of the refund credits involved. The net over-all additional tax payment of $2,500,000 has been made.

Reparations

Since the last year's Report, which referred to the July, 1953, report of Interstate Commerce Commission Examiners recommending dismissal of all the Government's reparations cases, these cases have been fully briefed and argued to the full Commission. Final decision by the full Commission is expected soon.

Seatrain Litigation

The action under the Federal anti-trust laws brought in 1951 by Seatrain Lines, Inc., against a number of railroads, including the Company, remains pending in the District Court for the District of New Jersey, to which it was remanded by the United States Court of Appeals for the Third Circuit, as stated in the last Annual Report.

Personal Injury Litigation

For a number of years, railroads, street railways, insurance companies, and other corporations having extensive personal injury litigation have found their payments to claimants sharply increasing. This has been caused by a combination of unfavorable factors, such as laws and court decisions more favorable to claimants, intense activity and organization by lawyers representing claimants, and the tendency of present-day juries to award extremely large verdicts. The Company has striven to hold down the increase from year to year in these payments. In 1954 it was successful not only in preventing any increase, but also in actually effecting a decrease in the amount paid out with respect to personal injuries from $2,003,732 in 1953 to $1,645,653 in 1954, a reduction of $358,079.

Labor Relations

Settlements with the labor organizations were effected during 1954 on a national basis by the Railroads, involving increases in wage rates and other benefits, including for the first time hospital, medical and surgical insurance, which had the effect as to the Company of increasing labor costs by approximately $3,128,000 per annum.

In mid-1954, the Trainmen and Firemen served notices which contemplate pay for holidays though not worked, penalty pay if worked, penalty pay if worked during vacation period, 28-cents per hour increase in pay under a five-day work week in addition to the present four-cents per hour increase, a guarantee of $18.00 per day for Road Firemen, and a graduated rate scale based on the number of cars in a train.

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These matters are still in the process of negotiation.

Effective July 1, 1954, the tax base on which the tax to finance railroad retirement benefits was increased in the case of each employee from $300 to $350 per month. This will cost the Company an estimated $500,000 annually.

Looking Ahead

The Company looks forward with optimism to the year 1955 and the years beyond, knowing that its strength and stability were never greater, confident that a firm control can be maintained over expenses, and certain that the South will continue its tremendous industrial growth and progress.

Financial Results for the Year

	In 1954	In 1953
The Company received from freight, passenger and miscellaneous operations a total revenue of	$249,079,701	$275,212,346
The cost of maintaining the property and of operating the railroad was	176,101,146	186,399,731
Leaving a balance from railroad operations of	$72,978,555	$88,812,615
Federal, state and local taxes required	33,937,887	42,952,412
Leaving a balance of	$39,040,668	$45,860,203
The Company paid to other companies for hire of equipment and use of joint facilities in excess of the amount received by it from those sources	4,483,614	3,873,985
Leaving an income from railway operations of	$34,557,054	$41,986,218
Other income derived from investments in stocks and bonds and miscellaneous items was	5,432,574	4,720,164
Making a total income of	$39,989,628	$46,706,382
Interest on funded debt and equipment trust obligations, rents paid for leased railroads and miscellaneous deductions totaled	13,726,947	13,516,057
Resulting in a net income of	$26,262,681	$33,190,325

Financial Position at the End of the Year

	On December 31, 1954	On December 31, 1953	Increase or Decrease
The Company had investments in land, railroad tracks, terminal facilities, shops, locomotives, freight and passenger cars and other fixed property of	$708,135,074	$701,272,456	$6,862,618
Less: Depreciation, amortization, donations and grants, and acquisition adjustment	122,578,014	116,877,359	5,700,655
	$585,557,060	$584,395,097	$1,161,963
In addition the Company had investments in stocks, bonds and notes of affiliated companies and other investments carried at	98,164,283	82,159,492	16,004,791
Unexpended balance contracted for under Conditional Sale Agreement to be disbursed upon delivery and acceptance of equipment	------	5,035,500	5,035,500
Sinking fund for redemption of bonds	151,500	151,500	------
Total Investments	$683,872,843	$671,741,589	$12,131,254
The Company had cash and special deposits amounting to	$31,679,261	$31,283,437	$395,824
And temporary investments in U. S. Government Securities	71,859,779	70,375,435	1,484,344
Other railroad companies and others owed the Company	18,216,778	20,574,250	2,357,472
The Company had on hand fuel, rails, ties, bridge material and other supplies necessary for keeping road and equipment in good order	11,288,211	16,523,570	5,235,359
Deferred assets and unadjusted debits, including items owed to but not yet available to the Company	4,193,152	5,113,525	920,373
The Assets of the Company totaled	$821,110,024	$815,611,806	$5,498,218
The Company owed for materials, supplies, wages and balances to other railroad companies, and interest, dividends and rents accrued but not yet due	$29,607,557	$30,454,375	$846,818
Taxes accrued but not due	40,092,566	48,770,683	8,678,117
Operating reserves	3,846,058	3,885,082	39,024
Depreciation of road and equipment leased from other Companies	4,642,825	4,288,733	354,092
Deferred liabilities, including items due to others, but not yet adjusted	7,707,729	10,036,221	2,328,492
The total of these liabilities, credits and reserves was	$85,896,735	$97,435,094	$11,538,359
After deducting these items from the total assets there remained, for the capitalization of the Company, net assets of	$735,213,289	$718,176,712	$17,036,577
The capitalization of the Company consisted of the following:			
Funded Debt, including bonds, equipment obligations, etc.	$277,048,270	$274,329,130	$2,719,140
Preferred Stock	60,000,000	60,000,000	------
Common Stock	129,820,000	129,820,000	------
Making a total capitalization of	$466,868,270	$464,149,130	$2,719,140
After deducting this capitalization from net assets there remained a surplus, largely invested in the property, of	$268,345,019	$254,027,582	$14,317,437

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The policies that guide the Southern Railway System have not varied through the years. They have been, and are—

To develop the territory and to foster faith in the South, its people and its opportunities;

To furnish safe, economical and adequate railroad transportation in the territory where the "Southern Serves the South";

To treat fairly and kindly the men and women whose work keeps the railroad going;

To pay a fair return to the owners of the property.

With steadfast faith, and with these principles, the Southern confidently approaches the future years.

Exploding Purchasing Power Theories

Booklet, entitled "So People May Prosper," issued to refute purchasing power theories sponsored by CIO, "New Deal" economists, and others.

Needling our economy by hypodermics of "purchasing power"—as proposed by prominent union leaders and certain economists—was described in a booklet by the National Association of Manufacturers as an inadequate, and even dangerous, prescription for national growth.

With the release of its new study, "So People May Prosper," NAM presented to the public a program for national prosperity based on full production and increased productivity. The study advocates measures to permit or encourage growth of the nation's productive facilities as the pathway to high employment and a rising living standard.

"NAM's new economic analysis completely refutes the purchasing power theories currently sponsored by Walter Reuther, of the CIO, and Leon Keyserling, Chairman of the Council of Economic Advisers under President Truman," said Kenneth R. Miller, senior Vice-President of the NAM, in releasing the study. He continued, "This study has been issued by the National Association of Manufacturers for the purpose of helping individual Americans decide on the courses of action that will bring continuing growth and prosperity.

"The program emphasizes the fact that without rapid growth and expansion of our productive facilities, through capital investment, the nation will not be able to keep pace with our fast growing requirements for jobs and goods and services.

"On the other hand, purchasing power theorists apparently believe that the only important thing is to apply an immediate economic stimulus through creation of more purchasing power, even if it is artificial purchasing power. This would be done through inflationary government spending, wage rises without productivity increases, or tax cuts that would aggravate existing discrimination."

Major requirements for an expanding, prosperous economy defined in the NAM study include:

(1) A steady flow of investment capital—private capital provided out of the savings of individuals. With an investment of more than $12,000 needed for every job, and with about one million new jobs needed each year, we must "prevent and eliminate interference with the basic processes of capital formation."

(2) Incentive to invest capital. The obstacle of discriminatory taxes must be removed.

(3) Freedom from undue government control and direction. Economic decisions must be made by people who have a personal stake in the outcome instead of by bureaucrats who have nothing to lose personally.

(4) An end of government competition with business. Private venture, which must pay out of pocket for it mistakes, cannot compete with government, which passes the burden of its errors and inefficiencies on to the taxpayer.

(5) An atmosphere which encourages faith and confidence in the future, based on favorable conditions and circumstances.

(6) Greater understanding of how our free economy operates. This includes recognition of the fact that higher real wages, greater benefits and more security are largely the result of growth in productivity and cannot be conjured up by arbitrary means and methods.

(7) There must be industrial peace based upon the practice of sound human relations between employer and employee.

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Rheem Manufacturing Common Stock Offered

A secondary offering of 400,000 shares of Rheem Manufacturing Co. common stock, formerly owned by Bethlehem Steel Corp. was made publicly on May 24 at a price of $37.12½ a share by a nationwide investment banking group jointly headed by Blyth & Co., Inc.; Kuhn, Loeb & Co.; and Smith, Barney & Co.

Rheem Manufacturing Co. makes containers, tanks of various types, water heaters, hot air furnaces, evaporative coolers, air conditioners, water softeners, gas ranges, clothes dryers, and automotive parts.

Sales and earnings of the company for the three months ended March 31, 1955 were $39,433,541 and $1,562,906, respectively, equal to 95 cents per share on the outstanding common stock. Sales for the full year 1954 were $163,623,302 and earnings were $6,026,952, equal after preferred dividends to $3.67 per common share. The common stock is on a $2.40 annual dividend basis.

N. Y. Municipal Bond Club Outing June 10th

The Municipal Bond Club of New York will hold its 22nd annual field day on Friday, June 10th at the Westchester Country Club and Beach Club at Rye, N. Y.

The annual meeting and installation of officers will take place at the Main Club at 1 p.m.

Luncheon will be served either at the Main Club or Beach Club from 11:30 a.m. to 3 p.m. The Board of Governors will tender a cocktail party at the Beach Club around the pool from 5:30 to 7 p.m. and dinner will follow immediately after.

Sports scheduled for the day are golf, tennis, horseshoes, softball, bridge and swimming. One copy of the "Bond Crier" will be distributed to each member and guest. Additional copies of this amusing publication may be ordered from George Hall, Wm. E. Pollock & Co., Inc., at $1 per copy.

Reservations should be made by June 1st with William H. Mears, Chemical Corn Exchange Bank.

Members of the Field Day Committee are:

General Chairman's Committee: H. Grady Wells, Jr., Andrews & Wells, General Chairman; Robert M. Goodwin, First National City Bank; William P. McKay, Blue List Publishing Co.; Myles G. Walsh, Blyth & Co., Inc.

Finance: William H. Mears, Chemical Corn Exchange Bank, Chairman; William M. Durkin, First National Bank of Chicago; William D. Muller, Halsey, Stuart & Co.

Arrangements: Gilbert White, R. D. White & Company, Chairman; P. Hurley Bogardus, J. P. Morgan & Co., Inc.; Edmund C. Byrne & Phelps; William S. Shanks, Bond Buyer.

Prizes and "Mutts": Richard N. Rand, Rand & Co., Chairman; John P. Byram, Northern Trust Company; William A. Devlin, Reynolds & Co.; John C. Fitterer, Jr., Kuhn, Loeb & Co.; August F. Pardey, Chase Manhattan Bank; James J. Ryan, Park, Ryan, Inc.

Sports: William H. Urell, F. S. Smithers & Co., Chairman; Francis X. Coleman, Gregory & Son; Robert I. Doty, Andrews & Wells; Davis Kales, Wood, Gundy & Co.; Karl J. Panke, Lehman Brothers; Paul W. Wolf, Harris Trust & Savings Bank.

Daily Bond Crier: James M. Ranson, Harris Trust & Savings Bank, Chairman; Douglas D. Ballin, Hannahs, Ballin & Lee; Jerome J. Burke, Blyth & Co., Inc.; L. Walter Dempsey, B. J. Van Ingen & Co., Inc.; William F. Dore, Halsey, Stuart & Co.; Kenneth C. Ebbitt, Shelby Cullom Davis & Co.; Denton D. Hall, R. L. Day & Co.; George W. Hall, Wm. E. Pollock & Co.; William T. Hall, Jr., Blue List Publishing Co.; Frank L. Lucke, Laidlaw & Co.; Albert J. Milloy, First Boston Corporation; Henry Milner, R. S. Dickson & Co., Inc.; William S. Morris, Talmage & Co.; Edmund G. O'Leary, Eastman, Dillon & Co.; James F. Reilly, Lehman Brothers; William J. Riley, Drexel & Co.; Alex Seidler, Jr., National State Bank of Newark; Joseph B. Wise. Dean Witter & Co.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—James E. Paulsen, Jr., has become affiliated with Minneapolis Associates, Inc., Rand Tower.

Bankers Offer Detroit Edison 3¼% Bonds

The First Boston Corp. and Halsey, Stuart & Co. Inc. and associates yesterday (May 25) offered $60,000,000 of Detroit Edison Co. 3¼% general and refunding mortgage bonds, series O, due May 15, 1980, at 100% and accrued interest. Award of the issue was won by the group at competitive sales on May 24 on a bid of 99.39%.

Net proceeds from the sale of the new bonds will be added to the general funds of the company to be used for construction and other purposes, including the repayment of approximately $14,500,000 of short-term bank loans.

Gross expenditures for construction in 1955, it is estimated, will approximate $85,000,000, of which $19,500,000 has been expended to April 1, 1955. The estimate for 1955 contemplates the expenditure of about $36,800,000 in connection with the new River Rouge steam electric generating plant now under construction; $11,000,000 for the construction of new, and enlargement of other substations; $17,000,000 for transmission and distribution lines; $11,800,000 for new business extensions, and $8,400,000 for other property and equipment.

The new bonds are to be redeemable, at the option of the company, at any time as a whole or in part, at redemption prices ranging from 103% to par, plus accrued interest.

The Detroit Edison Co. is engaged in the generation, transmission, distribution and sale of electric energy in a service area comprising 7,587 square miles in southeastern Michigan, with an estimated population of 3,828,500. This area includes the highly industrialized City of Detroit and environs, as well as extensive industrial and agricultural sections outside of Detroit. The company also conducts a steam heating business in the central business section of Detroit and furnishes water service in Vassar, Mich.

For the year 1954, the company had gross utility revenues of $195,883,768 and net income of $22,137,173.

A LOOK INTO THE FUTURE—The hollow tube, held by a Bell Telephone Laboratories engineer, is an experimental Waveguide for telephone service and television. It's not as large as it looks here. (Actually, only two inches in diameter.) Some day it may be no thicker than a fountain pen.

The NEW LOOK in Telephone and Television Transmission

THE NEW WAVEGUIDE *is constructed of thin copper wire, tightly coiled. It is flexible, can operate at high frequencies, and channel radio waves any way that it is bent.*

There's many a new thing in the telephone business these days and many more interesting developments coming along.

One of these developments is a new and different medium for transmitting telephone conversations and television programs over long distances, announced recently by Bell Laboratories. It's the long distance Waveguide.

Recent experiments indicate that it may some day carry tens of thousands of cross-country telephone conversations and hundreds of television programs at one time—and thus supplement coaxial cable and radio relay.

Waveguides have been used for some time but for short distances only. What makes the Bell System's new Waveguide so important is that it is practical for long distances.

It can operate at extraordinarily high frequencies with small loss in reception. And though solid metal pipe may continue to be used in straight sections, this completely new Waveguide, being flexible, will be able to carry signals around curves.

It is another example of looking ahead in the telephone business and the never-ending progress in providing better service for more and more people.

BELL TELEPHONE SYSTEM

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Industrial Development Of Atomic Energy

By JAMES F. FAIRMAN*
Vice-President, Consolidated Edison Co. of New York, Inc.

Asserting atomic energy is simply another fuel for electric energy production and therefore, not only study and research, but also construction of new plants will be essential, Mr. Fairman says immediate problem is to develop the new fuel economically, either as a replacement or supplement to conventional fuels. Reveals the philosophy which has prompted the Consolidated Edison Company of New York to take steps looking toward construction of an atomic energy plant.

Atomic energy is simply another fuel for the production of electric energy, and industrial development means not only study and research but construction of a plant to make use of the new fuel.

James F. Fairman

Any electric utility is in the business of converting energy from one form to another and distributing it to the customer in a form which can be conveniently and economically utilized by him. We have been buying energy as a raw material either in the shape of coal, oil, or natural gas and after more than a little processing we sell it as a finished product in the form of electricity. Indeed, we deliver it to the customer on demand and in return for our efforts we expect to have our expenses paid and to have a little left over for our trouble. By the conventional means in use today, this processing, including the cost of owning and maintaining the equipment necessary to accomplish it, represents about 30% of the total annual costs involved in our business, and the fuel alone represents about 20% of those total costs. These are the yardsticks against which a new fuel and a new process must be measured in the New York City area.

The Immediate Problem

In simplest terms, our immediate problem is how economically to use atomic energy as a replacement of or supplement to conventional fuels.

The solving of this problem includes not only study and experimentation but the assumption of the risks of actual construction and operation, all of which comprise industrial development.

Every innovation comes wrapped up with an assortment of problems in the same package. Over the years, our industry has opened quite a few of these surprise packages and has succeeded in sorting out the pieces and fitting them together. That is how we have progressed.

This process of educated guessing usually involves both the operating utility and the equipment manufacturer as partners. Development and research work is normally done by the manufacturer in response to a need on the part of the utility. The electric utility industry furnishes a market for the manufacturer which provides the incentive for him to do the necessary research and design.

The manufacturers have already done considerable work on reactor types which can be built now but these reactors will not be built unless there are buyers and we shall not know how well they will work until we actually operate them.

There are always bugs in a new product and a field test is the only way to chase them into the open. In the electric industry, responsibility for the field test falls partly on the manufacturer (who wants to sell some more of the same items in order to recover his development cost) and partly on the utility company (which is interested in bettering the quality and lowering the cost of its service).

The Role of the Electric Utility Companies

It is obvious that industrial development of atomic energy can be accelerated by the electric utility industry providing a market for a number of reactors of different varieties as well as a market for the fabrication and reprocessing of fuel elements. It should also be obvious that the American system of free enterprise thrives best on a diet of private dollars.

This in general terms summarizes the philosophy which prompted Consolidated Edison to take the necessary steps looking to the construction of an atomic energy power plant in its territory and which, it is hoped, will encourage other utilities to undertake similar ventures.

The enactment of the Atomic Energy Act of 1954 opened the door to private industry. We in Con Edison walked in by asking the manufacturers to make us propositions on types of reactors which they were ready to build now. Rather than assemble a staff of experts we retained the Vitro Corporation as consultants. We notified the A. E. C. of our interest and obtained information and guidance from their staff. In so far as possible we went about it in the same way in which we normally proceed to make plant additions. We hope thereby to promote industrial development by the manufacturers as well as by other utilities. We believe we have made a substantial contribution in that direction.

The Proposed New Plant of Consolidated Edison Co.

We have accepted the proposal of the Babcock and Wilcox Company, and we have authorized construction of the plant, subject of course to obtaining the necessary A. E. C. approvals for which we have applied.

The reactor which B & W will furnish and erect is a pressurized water uranium thorium converter. It will utilize highly enriched uranium and be equipped with thorium elements for partial conversion of thorium to U-233. Although it does not produce as much fissionable material as it consumes, the effective life of a charge is lengthened considerably.

Industrial development means to us development on an economic basis. We are not atomic purists. We are willing to mix our fuels as we have long since learned to do to advantage. So we are going to use an oil fired superheater to raise the temperature of the steam obtained from the reactor, and thereby increase the overall plant capacity as well as improve the heat rate and reduce the cost per kw. The overall capacity of the plant will be about 235,000 kw, the net heat rate 10,700 BTU and the cost per kw around $230.

At the present stage of development one of the unknown quantities is the ultimate overall cost per kilowatthour of producing energy in the atomic power plant which we propose to built. Definite answers obviously cannot be determined until such a plant is constructed and operated. We estimate that during the initial operating period, overall costs, including taxes, depreciation, interest, fuel, fuel processing, labor, and maintenance, will be about nine mills per kilowatthour. As fuel fabrication and reprocessing techniques are developed and advanced it is anticipated that this cost can be reduced.

We hope ultimately to obtain and to pay for our atomic fuel in much the same manner that we do for our other types of fuel. We do not want a subsidy in any form. We are not interested in producing weapons grade plutonium, radioactive tracers, or changing lead into gold. We want to use atomic energy to make electricity and we want to keep the price of electricity as low as possible. If the fissionable fragments in the fuel elements develop a value like the once despised fly ash from pulverized coal, which is now used as a pozzolanic aggregate for concrete, we shall hope for a credit but we do not propose to go into the by-product business if we can avoid it. We believe that the fabrication of fuel elements and their reprocessing offers another attractive field for private industrial development which will come about if the utilities furnish the market. We hope ultimately to pay for atomic fuel on a net BTU basis and to obtain it from a non-governmental source.

Since we firmly believe that only by actual construction and operation of atomic power projects can atomic power be shown to be commercially practicable, our immediate objective is to get on with that job, as I have indicated. However, we have not lost sight of the long range objective of more economical atomic power and are continuing our participation in and support of one of the study groups represented here tonight by Mr. Cisler. As we see it, both short range and long range programs are necessary and should be complementary, not competitive, in the development of this new industry.

*Statement by Mr. Fairman at the Evening Forum of the American Power Conference, Chicago, Ill.

Bankers Offer Stock Of Cuban Mining Firm

Inter American Industries, Inc., a mining firm now drilling for manganese on its Cuban properties, is offering 150,000 shares of 10-cent par value common stock through Baruch Brothers & Co., Inc., and Milton Blauner & Co., Inc., both of New York, N. Y. The offering price is $5 per share.

The firm, incorporated in Delaware, has acquired a 24-year lease on 7,335 acres of property in Oriente Province, Cuba. The properties—a total of 38 mining claims—had been mined intermittently by Cuban interests before being leased by Inter American.

Inter American has instituted a drilling program to determine the nature and extent of ore bodies on the property. If the 150,000 shares are sold the firm will realize $652,000—$270,000 of which will be used to begin mining and milling operations in certain sections of the Cambute area, which comprises 16 of the claims leased by Inter American. Of the remaining claims, 17 are in the Los Negros area and five are in the El Iris and Don Palmas sections.

E. J. Prescott Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Richard M. Grant is now with E. J. Prescott & Co., Northwestern Bank Building.

Public Utility Securities

By OWEN ELY

Southern California Edison Company

Southern California Edison Company is the second largest Pacific Coast electric utility. It serves electricity to a population estimated at 3,623,000, including 82 cities and over 150 small communities and rural areas. However, it does not serve the City of Los Angeles, which has a municipal system. The company sells electricity at wholesale to four cities and from time to time to three privately owned utilities.

The territory includes large areas devoted to agriculture, much of which is made possible by irrigation. Industrial activity is well diversified. Although many of the company's industrial customers are major users of electricity, revenues for the calendar year 1954 derived from the largest industrial customer accounted for only about 1% of electric revenues, and the 10 largest customers together accounted for less than 6% of revenues. In 1954 electric revenues were obtained as follows: residential and rural 44%, commercial 21%, industrial 25% and wholesale and miscellaneous 10%.

The company has shared in the rapid growth of the area, 1954 revenues of $154 million comparing with $68 million in 1945, an increase of 127%. Share earnings have also shown substantial improvement, about doubling during the decade. Dividends have increased from $1.50 to $2.40 (the rate was recently raised from $2).

The company has been handicapped by special charges: during 1945 to 1948 inclusive, the cost of change frequency totalled about $40 million, and in 1950-51 subsidance costs amounted to $3.6 million (one of the generating plants sank because it was located over an oil-field, and the foundations had to be rebuilt). These charges were a drain on net earnings during these years.

The company has also been handicapped by a sub-normal rate of return on the rate base. The company applied to the California Public Utilities Commission for a rate increase in December, 1952 and the Commission issued its decision in August 1954, with the new rate levels effective Sept. 13. The rates were designed to provide a return of 5.9% on a depreciated book-cost rate base, while the company had asked for a return of 6¼%. The increase in revenues, based on the 1954 level of sales, was equivalent to about 50 cents a share on the common stock. However, it included $1,915,000 pertaining to customers in the City of Vernon who are served under a lease agreement, so that negotiations were required to put these rates into effect.

Earnings for the calendar year 1954 were $2.95 compared with $2.56 in the previous year. For the 12 months ended March 31 they increased to $3.05, and for the calendar year 1955 are estimated at around $3.40. It is understood that this estimate makes allowance for some further conversions of the 4.48% and 4.56% convertible preference stocks.

The company has also been handicapped recently by bad water conditions. In 1954 only 28% of total power output was produced by hydro stations compared with over 50% in 1952. Moreover, only about one-third as much power as in 1952 was obtained from Hoover Dam, the 1954 amount being about 6% of total output. Water levels at Hoover Dam are reported to be about the lowest on record. The good water conditions of 1952 were reflected in the share earnings of $3.27 in that year.

The company on May 17 issued rights to holders of the original preferred and common stocks to subscribe for new Convertible Debenture 3¼s of 1970 at par, the rights expiring June 14. The rights entitle the holder of each share to $5 principal amount of debentures. The new issue will approximate $37-41 million. One-third of the amount of the new debentures will be convertible into stock at $42.85 beginning Jan. 15, 1957, an additional one-third a year later, and the remainder the following year. The conversion privilege will remain the same through Jan. 15, 1962, with the price rising to $44 after that date, and to $45 after Jan. 15, 1964 and prior to July 17, 1967. Conversion prices are subject to adjustment under certain contingencies. In conversion, no adjustment will be made for interest or dividends; scrip or cash may be issued for fractional shares.

At the initial conversion price of $42.85 the holder of a $100 bond could convert into 2.3337 shares of common stock. Based on the recent price (May 17) of 48¼ for the stock, the conversion price would be $112.60. This compares with the market price for debentures (when issued) of 113, which indicates the popularity of the new issue. Since the debentures have an estimated bond value around 102 and are not convertible for one year and eight months, they would normally sell at a discount. Thus the Detroit Edison Convertible 3¼s of 1969 sell at only about 136, although convertible next February into four share of common stock per $100 bond. Detroit Edison is currently selling around 35½ which is equivalent to 142, so that there is a discount of 6 points.

It is possible that buyers of the Southern California Edison bonds anticipate higher earnings over the next year or so. This should be possible if good water conditions should be restored. Important new steam generating units are being added, 160,000 kwh. in July this year, 320,000 in 1956, and 160,000 in 1957. These units should make the system less dependent on hydro (total capacity at the end of 1954 was 2,245,000 kwh.). On the other hand the company may still have some recurring trouble with "subsidance" of its Long Beach steam station, which occupies an area of 43 acres over the Wilmington Oil Field (see pages 12-13 of prospectus).

Based on the recently increased $2.40 dividend the stock yields about 5%, which is above the general average for stocks of this caliber. Should an increase in the dividend to $2.60 occur over the next year or so (as seems a reasonable possibility), a 5% yield would mean a price of 52 and a corresponding debenture price of nearly 121.

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Continued from page 5

World Political Situation and The Outlook for Plastics

fluctuations in defense expenditures that we may expect will certainly not be constantly driving the economic fever up and down. Business may improve despite decreases in defense spending—as it did in 1954-1955. And if defense spending increases slightly, the indexes will not necessarily skyrocket.

The other thing that needs to be said about the relation of defense spending to the national economy is this: Our foreign relations require that our economy be kept strong quite regardless of how much needs to be spent to keep our armed forces strong. I said a few moments ago that the Communist bloc is engaged in a program of attrition of American prestige. Nothing would better serve the purposes of such a program than a domestic economic collapse in the United States and a collapse of United States strength in the international economy. In other words, our international prestige and our international political power certainly do not depend only on our military strength. They are directly related to the strength of our internal economy.

As I wrote in my book, *No Major Depression In Our Lifetime*, "The aim of America is to retain world leadership, if possible without armed conflict. Whether or not there is armed conflict, the strength of our economy will be of decisive importance in our struggle with Communist Russia. America cannot afford again the kind of debilitating and demoralizing economic debacle that we underwent during the early '30s."

Of course, America could not afford the depression of the '30s either—economically. Now, in the post World War II era, we also have a great political stake in a strong economy. And our government has a commitment to keep it strong. And this commitment will require the government to use all the new techniques of economic control and stimulation that have been learned and practiced since the days of the New Deal.

Obligations of Government

These techniques do not necessarily require a regimented economic system at all times—or at any time. They do involve flexible control of the nation's whole fiscal structure by manipulation of stock-market credit margins, of consumer instalment credit, of corporate and individual income tax rates. They do involve support of the nation's farmers and agricultural economy in order to avoid the kind of extreme and prolonged agricultural slump that characterized the period after World War I and that eventually affected the entire national economy. These government techniques do involve recognition of the real problems of the states in financing needed construction of highways and public buildings. They do involve recognition of the real problems of individuals who are old or sick or laid off and whose loss of income impoverishes not only themselves and their families but in the long run the entire nation. The extension and liberalization of social security and unemployment benefits constitute a very practical device for maintaining the good functioning of the economy.

Foreign Trade Has Political Importance

The importance of American prosperity in terms of our international position is recognized not only by one party—not only by the Democrats or by the Republicans. It is recognized by both parties, as alternative representatives of the national interest. And their obligation to maintain our economic strength is carried into the broad policies of international trade as well as the domestic economy. For the sake of the internal strength of the American economy as well as for the sake of the economies of our world allies, both political parties are in essence committed to an extension of the foreign-trade policies of the postwar years.

This does not mean that the government will do as it did then—directly subsidize American exports by means of a foreign relief and economic-aid program. It simply means that tariff and loan policies must be designed to maintain the economic bonds, the continued exchange of goods between America and the nations of the non-Communist bloc—including in some cases areas or countries that may be non-Communist without being clearly anti-Communist.

More Trade Between East and West

Thus, some countries that have ties to the Communist bloc will still carry on active trading relations with the Western World. For Moscow and Peiping recognize that their political conquests in the Far East cannot be sustained by integrating these areas into their empire on the basis of a "co-prosperity economy." Prewar trading arrangements between East and West have been maintained and even extended in the last several years.

Rubber is a case in point. Shipments of crude rubber from the Malayas were over 50% greater in 1953 than average annual shipments in the years 1934-1938. Shipments from Indonesia and from Thailand both were 100% greater.

Another case in point is the economy of Indonesia. Here, despite the growing Communist influence, the government officially supports a policy of extending the East-West trade ties. For Communist China and Russia cannot absorb the vast amounts of rubber, tin, and other raw materials produced there and pay for them either in gold or dollars or in the capital goods that are urgently needed for the development of Indonesia's economy.

Thus, we may paint this general picture of the international trade situation during the years of the armed peace: The United States Government will support and encourage both American exports and American imports. This will be done for the sake of maintaining the health of the American economy, for maintaining American interests and prestige abroad, and for strengthening American economic ties not only with our allies but also with those countries that are somehow suspended politically between the free world and the Communist bloc.

Some Difficulties

Do not, please, infer from what may seem to be a very optimistic view of the international-trade picture that the future holds no difficulties. For there will, of course, be continuous uncertainties and dislocations as regards both foreign sources of supplies and foreign markets.

Will the Malayan supply of crude rubber hold up?

Will the supply of naphthalene increase?

Will Europe continue to sell vinyl to the United States while our production capacity exceeds our consumption of domestic vinyls and the European industry is short of vinyls?

These are specific questions that require specific research and careful analysis of specific conditions. And this generalization is true of many other questions in regard to specific commodities and specific markets. For, if we must temper our view of the broad scene with qualifications, we can even less give pat, off-the-cuff answers to specific questions.

Even though the picture of overall economic conditions is probably not nearly so dim as some commentators and even some businessmen fear, there is still considerable uncertainty regarding specific details, and in some cases details that may affect whole industries.

In any industry today, while there exist good and even exciting possibilities for the future, these possibilities can only be realized by careful planning, careful weighing of significant political and economic trends, and a good deal of old fashioned adventurousness.

Let me try now to sum up some of these important considerations in somewhat more specific terms.

Raw Material Supplies

If a major world conflict were to break out, quite obviously the plastics industry would face very serious supply shortages, as well as a diversion of activity from civilian to wartime efforts. As stated above, however, I personally do not think in terms of a major war within the next five or ten years. In any case, there is not much that the industry can do about a situation of this sort if it does arise.

Barring such a conflict, there will still be material supply problems from time to time, originating in two different and contrasting sources.

(1) We must count on ups and downs in the defense budget, and allow for the possibility of small shooting wars from time to time.

I do not believe that the periodic increases in the defense budget will create serious supply problems unless some shooting is involved. In such cases, you would have to expect something like a repetition of the conditions during the Korean "police action."

(2) From time to time there will be another type of supply shortage, as the demand for new plastic end uses temporarily exceeds the ability of the industry to meet it.

Our country has the highest living standards on earth. This not only creates a great volume of demand, but also creates a great diversity of demand.

Polythylene serves as a good example. Originally developed in England, we now have a capacity in the United States which is approaching 500 million pounds, against a British capacity of about 50 million pounds.

This rapid growth merely emphasizes the high level of American living standards and productive ingenuity, as well as the great variety of end uses for polythylene in packaging, refrigeration, television cables, electrical insulation, etc.

Imports

Here also we must distinguish between two situations.

(1) Cases in which we *need* imports from abroad, but may not be able to get them in sufficient quantity.

Naphthalene provides an example. Europeans in 1954 used domestically a larger part of their supply, and our imports were limited. This has created something of a supply problem in some industries.

(2) A second type of import problem occurs when foreign countries ship to the United States, not because they have excesses above their own needs, or because we need the supply, but because they must have American dollars.

Vinyl materials are a case in point. Our exports in 1954 exceeded imports, but our exports were chiefly special grades and the imports came in the United States at low prices chiefly because European countries needed dollars.

Trade Policy

I am not going to try to tell you exactly what our foreign trade policy should be. Every industry wants protection against excessive imports, which undermine its price structure or depress its activity. Every industry, on the other hand, must also recognize the fact that this nation's world trade has political as well as economic importance.

I mentioned the depression of the 30's a few minutes ago, pointing out that it was bad enough to have had such a depression occur at that time, simply because of its economic effects; but it would be doubly bad to have a similar depression now, because it would also have world-wide political effects, which would undermine the international position and prestige of the United States.

Just as the health of our domestic economy has international political importance, so is our foreign trade policy an instrument of international diplomacy as well as an object of concern to industry within the United States.

From the industry's viewpoint, the general level of exports is bound to influence its attitude toward a given volume of imports. Let me say unequivocally that the opportunity for exports will probably become smaller, and foreign markets more competitive, as Germany regains more of its prewar importance in the plastics economy.

On the whole, I feel that the question of foreign trade and foreign trade policy is the most difficult one you have to face in the next few years. I again stress the need on industry's part to recognize the international political importance of our foreign trade policy. On the other hand, those who administer the policy must recognize the international political importance of a strong domestic economy, and analyze very carefully the effects that foreign trade policy might have on this strength. I leave you another thought that, on this question, we have great need for flexibility of policy, and for great tolerance and understanding in the relations between government and industry.

This to me has been a very interesting subject, since the plastics industry itself encompasses such a wide variety of raw materials, and produces end products that are used in almost every phase of our consumer and industrial life. The industry is truly a basic one. I have not tried to conceal the fact that I believe it faces some serious problems. I hope it is plain, however, that I find strong grounds for optimism about its future.

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

393 SEVENTH AVENUE, NEW YORK 1, N.Y.

Notice of Nomination of Directors

Notice is hereby given that in accordance with the provisions of the Insurance Law of the State of New York the Board of Directors of The Equitable Life Assurance Society of the United States has nominated the following named persons as candidates for election as Directors of said Society:

ARLIE RAY BARNES, Rochester, Minn.
Physician.

JAMES B. BLACK, San Francisco, Cal.
President, Pacific Gas & Electric Co.

CHARLES W. DOW, New York, N. Y.
Senior Vice-President of the Society.

WILLIAM J. GRAHAM, New York, N. Y.
Consultant.

HENRY TOWNLEY HEALD, New York, N. Y.
Chancellor of New York University.

WILLIAM A. KELEHER, Albuquerque, N. M.
Counsellor-at-Law.

NICHOLAS KELLEY, New York, N. Y.
Counsellor-at-Law.

W. W. KLINGMAN, Dallas, Tex.
Life insurance and banking.

ELMER L. LINDSETH, Cleveland, Ohio.
President, The Cleveland Electric Illuminating Company.

RUSSELL B. LOWE, Fitchburg, Mass.
Manufacturer.

RICHARD H. MANSFIELD, New York, N. Y.
Vice-President, Rockefeller Center, Inc.

ARTHUR B. VAN BUSKIRK, Pittsburgh, Pa.
Vice-President and Governor, T. Mellon and Sons.

A certificate of nomination of the said candidates has been duly filed with the Insurance Department of the State of New York.

The annual election of Directors of The Equitable Life Assurance Society of the United States will be held at its Home Office, 393 Seventh Avenue, New York 1, N. Y., on December 7, 1955, from 10 o'clock a.m. to 4 o'clock p.m., and at said election twelve Directors, constituting one Class of the Board of Directors, are to be elected for a term of three years from January 1, 1956. Policyholders whose policies or contracts are in force on the date of the election and have been in force at least one year prior thereto are entitled to vote in person or by proxy or by mail.

GORDON K. SMITH, *Secretary.*

May 25, 1955.

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Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

THE NEW YORK TRUST COMPANY

This company is the outgrowth of the consolidation of five banks. None of the mergers during its history was made merely to attain size; each component institution served to bring to the New York Trust its specialized branches of the banking business, and resulted in a well integrated bank. The company started business in 1889 as the New York Security & Trust Co., and in 1904 Continental Trust Co., chartered in 1890, was merged with it. In 1905 the title was changed to the present one.

A merger of New York Trust Co. and Liberty National Bank was effected in 1921, the name of the former being retained. Liberty National, primarily a commercial institution, had in 1919 acquired Scandinavian Trust Co., which brought an excellently equipped foreign department to the ultimate consolidation. The original New York Trust Co. had built up a substantial corporate and personal trust business. In 1949 Fulton Trust Company, also specializing in personal trust activities, was merged.

Starting in 1889 with deposits of approximately $2,300,000, New York Trust Co. has seen this item grow to more than three-quarters of a billion. The bank has been fortunate in having over its history a group of highly influential members on its directors' board. The bank derives a substantial proportion of its income from wholesaling its credit, but every effort is made to cultivate smaller accounts. This had had the effect of keeping down overhead and enabling the institution to operate with a relatively small staff. It is regarded as one of the most compact of New York's leading banks.

Four well located branches are maintained in Manhattan, with a fifth to be opened this year. The staff comprises nearly 1,100 employees, approximately one-quarter of whom have been with New York Trust for 25 or more years.

Statement of Condition, March 31, 1955

ASSETS—		
Cash and due from banks		$262,886,000
U. S. Government obligations		203,271,000
Stock of Federal Reserve Bank		2,100,000
Other bonds and securities		37,744,000
Loans and discounts		344,964,000
Customers' liabilities for acceptances		13,432,000
Interest received and other assets		3,857,000
		$868,254,000
LIABILITIES—		
Capital	$30,000,000	
Surplus	40,000,000	
Undivided profits	7,006,000	
		$77,006,000
General reserve		1,259,000
Dividend payable		900,000
Acceptances		13,690,000
Accrued taxes, etc.		8,967,000
Deposits		766,432,000
		$868,254,000

A break-down of these assets into principal categories follows:

Cash	30.3%
United States Government obligations	23.4
Other securities	4.6
Loans and discounts	39.7
Miscellaneous assets	2.0

The following is a break-down for several years of the bank's government bond portfolio:

Maturities	Up to 5 Yrs.	5 to 10 Yrs.	Over 10 Yrs.
1950	92%	8%a	------
1951	100	---	------
1952	99	1%b	------
1953	91	9%c	------
1954	73	27%d	------

a Due within six years. b due in seven years. c Due in six to eight years. d Due in six to nine years.

This schedule gives the average rate of return that New York Trust Company has been deriving from its loans and discounts and from its investments:

	From Loans & Discounts	From Securities
1950	2.44%	1.42%
1951	2.69	1.54
1952	3.00	1.69
1953	3.19	1.90
1954	3.16	1.90

The rate of return on loans increased about 35% in this period; that on securities nearly 37%.

Ten-Year Statistical Record — Per Share*

	Book Value	Operating Earnings	Invested Assets	Dividend	—Price Range— High	Low
1945	$49.92	$3.97	$575	$1.88	57⅛	49⅝
1946	52.38	3.70	456	2.00	58	45⅝
1947	53.67	3.27	461	2.00	51	40⅛
1948	54.92	3.25	402	2.00	45	40
1949	55.60	3.27	426	2.00	45¼	39½
1950	56.94	3.59	475	2.25	48¼	42½
1951	58.48	4.04	469	2.50	56¾	45¾
1952	60.21	4.35	490	2.50	59¼	51½
1953	61.96	4.50	475	2.75	58¼	50¼
1954	63.76	4.68	515	2.75	69¼	54

*Adjusted for 2-for-1 stock split-up in 1955.

In this decade there were increases in: book value 44%; operating earnings 33%; invested assets —6%; dividend 57%. The stockholder's gain totaled $42.02, or at an annual rate of $4.20 a share, the total gain being approximately 95% of the Dec. 31, 1944, book value.

At the close of 1954 New York Trust carried a reserve for bad debts, set up under a treasury formula, amounting to $4,595,779, and a general reserve of $1,709,444. The former is carried as a reduction in total loans and discounts.

The stock of New York Trust, after the split-up in February, 1955, has been on a $3 annual dividend basis. At the present market price of approximately 73 the yield is about 4.1%. The shares, at this price, are selling at 15.2 times 1954 operating earnings (giving no effect to net securities profits of $1,000,000 in that year); the rate of earnings on the year-end book value was 7.3%; and the $3 dividend represents 64% of 1954 earnings.

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To Be Maltz, Greenwald

Effective June 1 the firm name of Greenwald & Co., 1441 Broadway, New York City, member of the New York Stock Exchange, will be changed to Maltz, Greenwald & Co.

Spear, Leeds & Kellogg

On June 1 the firm name of Spear & Leeds, 111 Broadway, New York City, members of the New York Stock Exchange, will be changed to Spear, Leeds & Kellogg.

Continued from page 7

Changing Deposit Trends, Branch Banking and Mergers

limited by several factors. First, we must consider their traditionally strong deposit-capital ratio, currently about 10 to 1. Banks in other cities, with a deposit-capital ratio of say 15 to 1, enjoy, in effect, 50% more deposits per dollar of bank capital, and are subject to lower reserve requirements than in New York. The higher reserve requirements in New York City, admittedly outmoded, are discriminatory and a handicap to adequate earning power.

Restriction Limits Growth

Another major factor limiting the New York City banks as a group is the restriction imposed by the banking laws of the State of New York which confine their branches within the city limits. The rapid growth in the suburban areas around New York City is typical of the national trend. The movement of people and business to the suburbs has been especially marked and is bound to continue. This is perhaps best illustrated by the growth of commercial bank deposits in Westchester and Nassau Counties where totals have risen from $350 million in 1941 to $1,550 million in 1954, or 340%. This total approximates the total deposits in the City of Houston, Texas, or Portland, Ore., which rank 11th and 12th among the cities of the country.

There is every indication that growth in these and other adjacent counties will continue. The New York City banks, however, are precluded by legislation of yesterday from following the business and population movements of today.

The impact of the New York State Thruway and related improvements is bound to be far-reaching in accelerating population trends and industrial activities throughout the state. With foresight, New York's leading bank holding company last December raised $25 million through sale of preferred stock and authorized 10 million additional common shares.

Bank mergers so far have not answered the basic question of New York City banks' participation in the future growth of the State of New York. The banking authorities are aware of the changing situation. The State Legislature in its last session authorized a study of the Banking Law with the view to possible recodification. Such a legislative study naturally will consider those sections of the law which confine bank branches within their present limits.

Financial analysts, when comparing banks in New York City with banks in California, must remember that, while state-wide banking is not yet possible in New York, the matter has long been under consideration. Back in 1932, and again in 1933, the then Superintendent of Banks recommended state-wide branch banking for banks and trust companies having capital and surplus funds of $25 million or more.

From Discount to Premium

As financial analysts engaged in the field of investment banking, we know that bank mergers have enlivened investment interest in the industry. With the merger trend, the discount from book value in the marketplace has narrowed, and, in many cases, disappeared. Understandably, bank managements are now more conscious of the quoted value of their shares. More liberal dividend policies can be noted.

Mergers have dramatically affected investment values of the shares of the participating banks. With this development, bank shareholders, too, are everywhere recognizing the importance of the merger trend to the long-term value of their holdings.

They know that, in recent years, the most profitable bank shares to have held were those of banks which were sold or merged. Merger brought a premium above book value for shares previously quoted at a discount from this book value.

Generally, the consideration to shareholders of a bank to be sold or merged represents net appraised book value plus a premium for good will or earning power. When the transaction is effected by cash, it may be deemed a sale or liquidation, the tax consequences of which must be weighed by the interested parties.

Shareholders of the acquiring bank find their institution benefiting from new branch locations, new customers, and increased deposits. The earnings of the retiring bank now become those of the buyer.

As against a severance or termination by sale, there is a continuity of ownership when the consideration is effected through stock. The transaction then becomes a tax-free reorganization and may be deemed a merger.

Banks which have expanded their business through mergers and developed branch systems have concurrently experienced deposit growth, have enlarged their capital, and have enhanced their competitive positions. The record shows that those banks which, by reason of these policies, have been able to follow population and business trends, serving little as well as big business, have grown and succeeded in doing a better job for their shareholders.

Dual System Protects

Summarizing, we might say, commercial banking is only in the beginning of a readjustment inevitable in a rapidly changing world. Economic, social, and political forces which have shaped the banking situation are bound to persist. High costs are with us. So are taxes. Population, income, and deposit shifts will continue.

What about future bank mergers? The trend might be interrupted for some reason, now unforeseen, or perhaps it will be continued with mergers of even greater magnitude.

We know that the movement is already under close official scrutiny to determine how the public interest is affected. All of us want vigorous competition, not protected monopoly. It is evident that the developments to date have intensified competition for the public's patronage and not brought monopolistic conditions. This is demonstrated on East 149th Street, as it is elsewhere in other cases throughout the country. Bank customers are receiving more service, more efficiently, and at steadily lower costs. Despite the sharp rise in the cost of living since before World War II, the price of money to the small borrower is generally lower, due primarily to the entry of large banks into the retail field.

The charge has been made that, unless the merger trend is halted, we will soon be down to a mere handful of giant banks as in other countries. Even if this absurdity were in prospect, the public, as already pointed out, would be protected from monopoly by the vast front of non-bank lenders.

Further, we might consider how our dual system of banking, state and national, serves to protect the public from the danger of both monopoly and nationalization. So long as the Comptroller of the Currency and the various state banking departments continue to exercise parallel powers, we are assured of 48 banks operating under state charters and 48 additional under national charters, a total of 96. This is more than a mere handful. And it would be the

Selected Data for Federal Reserve Member Banks, 1945-1954

(Dollar Figures in Millions)

	All Member Banks 1945	All Member Banks 1954	Central Reserve City Members New York City 1945	Central Reserve City Members New York City 1954	All Other Member Banks 1945	All Other Member Banks 1954
Number of Banks	6,884	6,660	37	21	6,847	6,639
Capital Accounts	$7,243	$11,724	$2,026	$2,651	$5,217	$9,073
Deposits	117,000	148,200	27,700	25,600	89,300	121,600
Loans	19,800	57,500	6,300	11,800	13,500	45,700
Investments	77,400	67,300	18,400	10,800	59,000	56,500
Operating Expenses*	1,268	2,988	216	428	1,052	2,560
Less: Income other than Interest	394	778	86	157	303	621
Interest income required to break even	874	2,210	130	271	744	1,939
Interest income realized	1,708	4,034	348	620	1,360	3,414
Loans and Investments	97,200	124,800	24,700	22,600	72,500	102,200
Yield required (%)	0.90	1.77	0.53	1.20	1.03	1.90
Yield realized (%)	1.76	3.23	1.40	2.74	1.88	3.34

*Exclude taxes based on income.

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minimum unless states' rights were violated. No serious observer, of course, believes that any such fantastic situation is in prospect.

Vitality Added

Changes in the banking scene nevertheless place new importance on long-range thinking on the part of banking authorities, legislators, bankers, and investors. The public interest must, of course, be safeguarded. Yet commercial banks must be allowed to make the necessary adjustments to strengthen their future as privately owned enterprises. Their success will depend upon the support of an informed public, and a wider understanding will redound to the ultimate benefit of investors in bank shares.

Bank mergers, subject always to official approval, are a healthy development. They allow energetic, inventive managements to function more efficiently, bringing better banking to a wider public. The merger trend has added vitality to the industry.

Continued from first page

As We See It

organization and methods of operation and making suggestions for improving the practical efficiency of our national government—as was the case with the former Commission—but likewise to inquire into the present scope of governmental functions and to suggest which, if any, of the general duties which the government has undertaken should be dropped. In short, he was directed to make a careful appraisal of the suitability of the activities of the Federal government in many fields into which it has entered during the days since Mr. Hoover himself was in the White House.

It need occasion no surprise that many violently *soi-disant* liberals are saying that Mr. Hoover is suggesting the complete (or very nearly complete) disestablishment of the New Deal and the Fair Deal and all their works. It was more or less to be taken for granted that cries of this sort should be heard from the Democratic camp. The fact is that Mr. Hoover and his colleagues have not up to this moment completed their studies and their recommendations. It is clear, however, that at various points recommendations have been made which touch the pocket book nerve of a good many vested political interests and of others who have learned—mostly although not entirely during the past 20 years—to expect largesse from the Federal government. It may be taken for granted, therefore, that more opposition will be encountered by this Commission than by the last. It is also less likely—with deep regret be it said — that as strong support can be mustered for much of the program now being put forward. The support commanded by the former Commission has through the years been greatly exaggerated, so we think, but it is evident that even that support will be more difficult to obtain this time.

Our complaint is a different one. We think that the report, so far as it has been made public, is not nearly anti-New Deal enough. The authors of these documents are evidently not in sympathy with a good deal that has been going on in Washington. They do not hesitate to condemn much that should be condemned. There are, of course, a good many anomalies in the Federal program and the Federal establishments which far antedate the rise of the New Deal.

But Mr. Hoover and his associates show a great deal more inclination to wince and relent and refrain when the larger and more vital elements in the New Deal are approached than we could wish they had. One supposes, for one thing, that these gentlemen felt that whatever their own beliefs, a set of recommendations which went too greatly contrary to what the rank and file have apparently come to regard as desirable — thanks to the preaching and the politics of the New Deal and the Fair Deal—would be too likely to be rejected out of hand. We do not profess to be politically wise enough to know what the justice of such an argument is. What we do know is that we should be much more heartened by a forthright report which stated in effect that virtually all of the New Deal should be dismantled, and that the process of dismantlement should begin as soon as possible and should proceed as rapidly and vigorously as feasible in the circumstances.

Close students of the reports of the Commission and its task forces should, in any event, be forcefully reminded of a number of really quite disturbing elements in the current situation. In assembling the facts of the case these hardworking individuals with many other pressing duties to perform were, of course, faced by many and very real difficulties. They did not always find a way to surmount them. In more than one instance, there probably was no way of surmounting them, so obscure and so unenlightening are the accounts of the governmental agencies and so vague and so ambiguous are the reports of governmental establishments.

But the facts—even when not always fully presented and pointed up—are never far beneath the surface and are often such that the American citizen can pass them over lightly only at his own very serious risk. Nowhere is this more startlingly the case than in the financial undertakings of the government. The usual financial reports of the Federal establishment are quite enough to cause deep anxiety on the part of the citizen of this country. The Treasury regularly reports its ordinary indebtedness, including contingent liability upon securities issued with Treasury guarantee. Now not too far short of $300 billion, this figure is certainly not conducive to sound sleep. It has long been a special worry to such leading statesmen as Senator Byrd — and doubtless many others in places of public responsibility.

Some of the current proposals for financing huge further road construction are rather patently a means of enlarging Federal debt (in fact, if not in theory, without frankly recording it as such). Such tactics reveal some sort of uneasiness about this situation, although, of course, proceeding in such a way as this suggests greater anxiety about the politics of the situation than about the economics of it. But other forms of debt have assumed mountainous proportions, and the great rank and file do not seem to be aware of the fact. How many realize, for example, that the volume of liability assumed under OASI on a present value basis now runs to an amount roughly equivalent of all the regular debt of the Federal government, direct and indirect?

There are many facts about our Federal government which the ordinary man could learn with dismay but with profit from the reports of the Hoover Commission.

Change Group's Name To Inv. Women of Chi.

CHICAGO, Ill. — Members of La Salle Street Women, at their Dinner Meeting held at the Chicago Bar Association, on Wednesday, May 18, voted to change the name of La Salle Street Women to: Investment Women of Chicago.

Joan Richardson

Their President, Miss Joan Richardson, of Glore, Forgan & Co. stated that in the opinion of the Officers and the Board of Directors, this name was more in keeping with the growth of the organization as it now represents Chicago, and the possibility of establishing a relationship with other similar organizations in cities throughout the United States.

Join Brew-Jenkins Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—James C. McCollum and Theodore Male have become associated with Brew-Jenkins Co., Inc., of Milwaukee.

With Jaffe, Lewis

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Harry Stanley is now with Jaffe, Lewis & Co., 1723 Euclid Avenue, members of the Midwest S. E.

Comes Up with the Low-Down

IN THIS YEAR'S ISSUE →

ATOMIC BLAST '55

Greatest Fallout Since 1929
Touched off by Sen. Fulbright

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The Anatomy of Bond Prices

But, Gross National Product (goods and services) was 46% less in 1933 than in 1929. Less money was needed to carry on business. For example, the sales of General Electric in 1932 were only 35% of those in 1929. Moreover dollars still had gold buying power although they were no longer convertible. By May 1933 the New Dealers had prepared the way for inflation but had not yet been able to get it started.

At that time the Federal Reserve did not have authority to change reserve requirements but, by open market operations and changes in the discount rate, it could increase the money supply and influence the cost of credit. And it had been increasing Federal Reserve credit steadily since January 1932. During the fear and confusion of the bank crisis in March 1933, member bank borrowing from the Federal Reserve banks rose to $1,432,000,000 on March 4 and then declined to less than half that amount in the following three weeks. The discount rate was raised from 2½% to 3½% then quickly reduced to 3% and 2½% and by the end of the year to 2%.

The Federal Reserve System had the same duty as now to keep the amount of available credit adequate to the legitimate needs of the economy, but it had no duty to keep interest rates low or high or steady. Mr. Martin, Chairman of the Federal Reserve Board, in a recent interview said, "Money must always be there—at a price of course."

In 1933 the price was high and one of the powerful contributing causes was the fear remaining after the faith-shattering experiences of the previous four years. Many formerly respected debtors had defaulted. Current borrowers had to pay enough to make money-love outweigh caution.

Much of the borrowing done in the dismal month of May 1933 was urgent but not of a nature to suggest that the credit of the municipality was likely to improve in the near future; for example:

	Paid by High Bidder	Offering Price
Rochester, N. Y. 6s, 1934-38	100	5.25%
Buffalo, N. Y. Work Relief 6s, 1943	100	---
N. J., Emergency Relief 5s, 1934-1941	100	---
Westchester Co. N.Y. 6s, 1935-60	5.99%	5.60%

In the depression years the low prices of bonds of all kinds, i. e. the high rates which had to be paid for money, seem to have been due more to reluctance to lend than to a lack of funds. With municipals, over-supply also was a factor. Corporate bonds made their lows in 1932, but municipals not until about nine months later. The total of new municipal issues in 1932 was less than $1 billion, but 30% of them were crowded into the last three months, followed by heavy calendars in the first four months of 1933 when the affairs of financial institutions were approaching their nadir.

At their low point the prices of municipal bonds illustrated how their own supply-demand ratio can exaggerate the effect of the generally prevailing money rates.

1946

By Feb. 14, 1946, when municipal bond prices reached their high, inflation was in full swing. The money supply had been quadrupled since 1933. Interest rates were being kept low by fiat. Government bonds were pegged and there were plenty of them (over $198,000,000,000 of marketable issues) to be sold to the Federal Reserve any time any owner of them wanted money to buy municipals or anything else.

World War II had ended the previous August, amidst predictions that unemployment would soon start a chain reaction toward depression. Instead the workers beat the companies' swords into plowshares and spent their leisure buying the gadgets denied them during the war. In reorganizing their plants, corporations sold only a few more bonds in 1946 than in 1945. In those two years the prices of corporate bonds did no more than respond to money market changes.

The price pattern of municipal bonds was quite different.

1946-1947-1948

From the end of War II in August 1945 and until the latter months of 1948 the prices of municipal bonds greatly exaggerated money market influences or even ran counter to them, due first to scarcity, then to heavy supply.

During the war, local governments could not get men or materials for a normal amount of capital improvements. Only $818,781,728 of new municipal issues were sold in 1945. When the war ended, banks became heavy sellers of Governments and buyers of municipals.

With demand increasing and calendars light, municipal bond prices went up with a rush to the Bond Buyer's 1.29% index figure on Feb. 14, 1946 and stayed around that level for a couple of months.

Looking at some of the prices paid for new issues in those months, paid eagerly by experienced investors, it is evident that there is no lack of "relativity" in bond prices. For example, Allentown, Pa. School District 1s, 1948-74 at 0.50%-1.00%; St. Louis County, Mo. 1s, 1953-66 at 0.70%-0.90%; Dallas 1s, 1947-66 at 0.40%-.99; Houston 1s, 1947-71 at 0.40%-1.20%; California 1¾s, 1949-66 at 0.75%-1.25%.

By the end of April there had been four months of heavy offerings, with plenty more coming. The boom was rolling and many other borrowers had securities to sell.

From May, 1946, until near the end of 1948 with only brief and feeble recoveries, the prices of municipal bonds were swept along down by the flood of tax-exempt issues.

Life insurance companies, most of which are mutuals, were heavy sellers of municipals in 1946, did almost nothing in 1947, but have increased their holdings in every year since then. Figures are not available for stock insurance companies, but, since tax exemption is valuable to them, they also presumably have been large buyers in all recent years.

1949-1950-1951

From early in 1949 the prices of tax-exempts climbed for two years. Industrial production was lower in 1949 than in 1948. Some of the money not needed by business came into the municipal bond market and found the output of new issues less than 1% greater than in 1948.

Industrial production increased slowly in the first half of 1950, then rapidly after the Korean War began. The money supply followed the same pattern. Bank loans increased with war activities.

The supply of new municipal bonds was nearly 25% greater in 1950 than in 1949, but rather evenly distributed with offerings smaller in the second half. Taxes were higher and exemption therefore more valuable than the year before. Prices of tax-exempts shot upward, as indicated by the decrease in the Bond Buyer's average from 2.08% on Jan. 3, 1950 to 1.59% on Feb. 26, 1951.

Public financing by corporations in both 1949 and 1950 was considerably less than in 1948, but corporate bond prices increased very little in 1949 and were almost stationary in 1950. This would make it appear that tax exemption and relative scarcity during the months of greatest demand might account for the more rapid advance of municipal bond prices. They may have been minor influences. More likely the preference of banks for serial maturities was what made the difference. And the banks were in clover, with practically unlimited funds for both loans and investments — because they could sell Government bonds to the Federal Reserve any time they wanted cash.

This phenomenon of "interest-bearing cash" carried the mood of 1950 over into 1951. Bond prices continued to rise until March 3, 1951, the date of the famous "full accord" between the Treasury and the Federal Reserve Board. Then a scorching blast of rationality destroyed the clover field on a single day.

The year 1950 was split evenly between peace and war. The sudden and real demand for war materials, combined with hasty civilian buying in fear of scarcity, looked so much like the beginning of an inflationary scramble that the Federal Reserve took action at once. And throughout the Korean War, July, 1950-August, 1953, watchfulness was not relaxed. The effort was to curb civilian spending and borrowing to leave factory space free for war orders, and to avoid the over-expansion which would necessitate a painful contraction when war orders ended.

It was a half-hearted war. The public was in no mood for restrictions. Manufacturing facilities, already expanded, were expanded still further to provide both guns and butter. Wages continued their steady rise. The Federal Government, local governments, corporations, and citizens all taxed more or earned more, borrowed more, and spent more.

In August, 1950, the discount rate was raised from 1½% to 1¾% and a warning was issued against further expansion of bank credit. Again in November, 1950, banks were requested to restrain unnecessary credit expansion. But expansion continued. Member banks increased their loans by nearly $7 billion in the first six months of the war.

As early as July, 1950, FHA and VA tightened mortgage terms somewhat, and further restrictions followed later in the year and early in 1951 under Regulation X. Instalment credit was restricted under Regulation W in the autumn of 1950. But both of these regulations were liberalized by Congress in the latter half of 1951.

In January, 1951, bank reserve requirements were increased on two dates two weeks apart. This nullified the inflationary effect of about $1 billion of the after-Christmas return flow of funds. In the same month margin requirements were increased from 50% to 75%.

1951

The shock of the accord, in March, 1951, and the fear of its effect were greatly magnified by earlier statements from Washington and up to within a few days of its announcement, which were understood to mean that there would be no change in the policy of keeping official interest rates low to assist Treasury financing.

The terms of the accord were not revealed in detail, but it was soon made evident by both parties to it that the intention was to discourage banks and others from selling Governments to the Federal Reserve to secure funds for lending at higher rates.

The Treasury offered holders of non-eligible 2½s, June 15 and Dec. 15, 1972/67, the right to exchange into non-negotiable 2¾s, 1980/75, which would be convertible at any time into five year 1½% marketable notes. The Federal Reserve Open Market Committee pulled the pegs on some, then on all Government issues. The bank 2½s declined nearly five points in the next four months although the Fed continued to foster an "orderly market" and by December, 1951, held $1,676,000,000 more Governments than in February (average of daily figures).

Stripped of its political bitterness, the accord was tardy recognition of the absurdity of expecting the Federal Reserve to keep money rates low for the Treasury when the credit demands of a new war were raising rates for other borrowers.

The various measures of restraint taken by the Federal Reserve, before the accord, reduced the availability of credit and increased its cost to many borrowers but had no adverse effect on the prices of either corporate or municipal bonds. However, as soon as open market operations could be used as a tool of overall Federal Reserve policy, bond prices sank to levels which made the cost of long-term borrowing consonant with rates in other divisions of the money market.

Neither corporate nor municipal bond prices made any recovery after the accord, but continued to decline almost steadily until the middle of 1953. This was logical for money rates increased throughout the period of the Korean War.

The remainder of the year 1951 was relatively uneventful in the money market. The Federal Reserve added to its holdings of Government securities but made its open market operations somewhat restrictive by purchasing fewer bonds and bills and more notes and certificates.

For about a year, from March, 1951, the Federal Reserve Board endeavored to bring about voluntary credit restraint. The chief result was to add uncertainty to a few municipal issues. **Public** sales of tax-exempts in 1951 were just a little less than in 1950. No other effect is visible in the records and all the restricted issues may have been sold privately. The Fed was playing a lone hand.

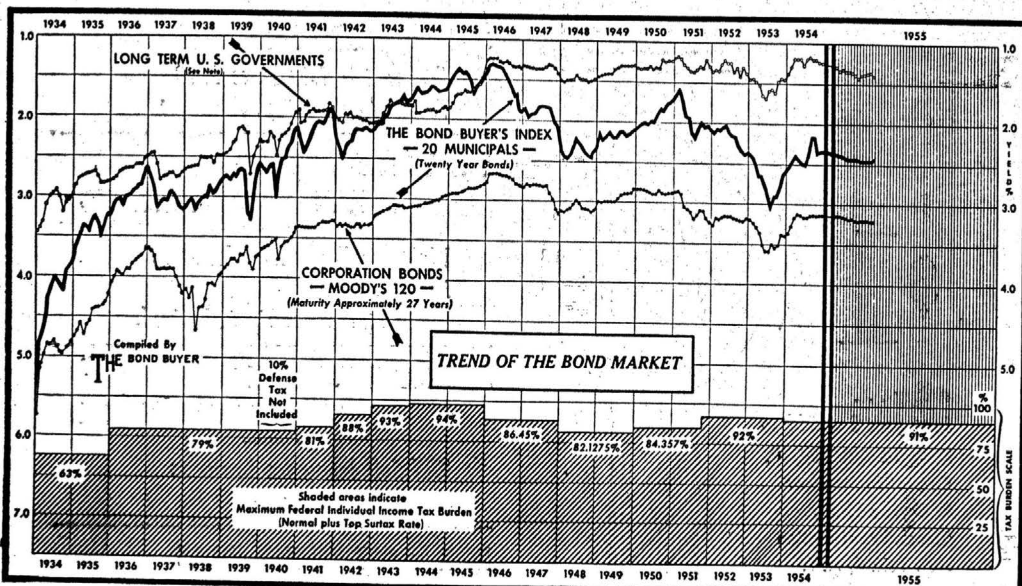
1952

According to the Bond Buyer's index, municipal bond prices began 1952 at 2.11%, rose to 2.03% in April, then sank to 2.38% with only a few brief recoveries in weeks when the calendar was small. Thus during a second year, the prices of tax-exempt bonds were depressed, and their yields made more rewarding to buyers. But the decline was not yet ended.

Nineteen fifty-two was a year of intense industrial activity, interrupted only by the steel strike, the recovery from which gave an extra inflationary push to the early months of the next year. Factories were busy with war orders while the truce talks dragged on. Mr. Truman was going strong, "giving 'em hell" right and left. The Presidential election was coming up. Everyone felt like spending and borrowing to spend more.

Local governments could not hold back their borrowing any longer. Nineteen fifty-two's output of new tax-exempt bonds (excluding refundings) was $4,071,803,000, fully 28% greater than 1951 and more than in any previous year. The $326,000,000 Ohio Turnpikes, the largest toll issue up to that time, came out in June and by the end of the year new revenue issues reached $1,133,836,000, nearly doub[le] such financing in 1951. The Ohio Turnpike and several ot[her] large issues went "out t[he] window." They had to be price[d] for immediate sale for at n[o] time could rising bond prices be predicted with any confiden[ce]. The competition for funds v[...] [i]ntense.

All through the [...] [t]he prices



NOTE: U. S. Government Bonds. Beginning Jan. 3, 1946, the line for Government bonds in the graph is based on the yield of U. S. Government Bank 2½s of 1972/67, after 38% corporate income tax, up to Sept. 28, 1950, 45% through Dec. 29, 1950, 47% through Oct. 21, 1951 and 52% thereafter, as shown in our weekly compilation "The Bond Buyer's Index of Municipal Bond Average Yields"

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of municipal bonds struggled with their own supply-demand ratio. In addition tax-exempts had to compete with nearly $2,000,000,000 more corporate bonds than in 1951 and with the many borrowers clamoring for bank funds.

Regulation W, restraining consumer credit, was suspended on May 7, 1952. By the end of the year consumer borrowing had increased by $4,185,000,000, over 20%. Regulation X, restricting real estate borrowing, was suspended in September, 1952.

Member banks **increased** their loans by $3,777,000,000 from December, 1951, to the peak on Dec. 14, 1952. The **increase** in their holdings of Government securities ran up to $809,000,000 in October although it declined to $234,000,000 by the end of the year; the total of all their other investments increased only $455,000,000 in the year.

To carry their greatly expanded operations the banks increased their borrowings from the Federal Reserve by $931,000,000 to the huge total of $1,728,000,000 on Dec. 24, 1952, the highest in more than 30 years.

The means of payment, the money supply, i.e., the total of money in the pocket and money in the bank (all deposits), increased over $10.8 billion in 1952. On Dec. 14, 1952, Federal Reserve credit was $2,284,000,000 more than a year before and 40% of this increase was represented by the increase in member bank borrowing. The banks had expanded their loans more than 10% in the year 1952.

Reserve requirements and the discount rate were left unchanged through the whole of 1952 but the Fed's tight-fisted open market operations kept the banks deeply in debt. In several months the average of daily figures recorded borrowings greater than excess reserves.

What this meant to municipal bonds was that the banks, which had been buyers to a modest extent in the early part of 1952, were sellers of municipal bonds on balance in later months.

Besides all the other bond market depressants of a boom year, municipals were disturbed from time to time by rumors that the Treasury would take money away from other bonds by offering a long-term issue. This didn't happen. The Administration had no wish to puncture the inflation it had fostered. The longest maturity offered by the Treasury in 1952 was a seven-year bond, callable after five years.

1953

The municipal bond market came into 1953 sick with rumors of huge new issues of all kinds and of measures to curb inflation, now that a new Administration was taking over. Soon the rumors began to come true. Prices wilted under the deluge of new issues. On Jan. 16 the discount rate was raised to 2%. On Feb. 20 margin requirements were dropped from 75% to 50% but it is a question whether this released funds or encouraged more buying. The banks couldn't buy many bonds. They needed their returning funds to pay off their loans at the Federal Reserve, which was pinching them with a higher interest charge while it reduced their reserves by selling Governments.

In every month through July, 1953, the member banks did reduce their indebtedness to the Federal Reserve, but they also increased their new loans to customers, contra-seasonally, and in the first half of the year, sold over $3,000,000,000 of Governments to do all this and keep their reserves in good order.

The prices of all bonds declined during the early months of 1953, municipals most of all, because the new issues planned long before kept coming in volume. Rumors of a long-term Government issue persisted. At last it was announced for the middle of April—3¼s, 1983/78. A total of $1,606,000,000 was issued of which $1 billion was for new money. Banks could pay by credit to their tax and loan accounts, but it was not a suitable maturity for them. The new high coupon for a Government bond attracted long-term investors and reduced, by the amount of their purchases, the money which might otherwise have gone into municipal or corporate bonds.

The intention of the Treasury, now cooperating with the Federal Reserve Board, was to curb borrowing for factory expansion and inventories, now that defense orders were about to be cut.

The wish of the monetary authorities to curb further expansion was based on figures showing that the production and accumulation of goods were running far ahead of purchases, even though instalment buying had increased over 30% in the past year. In the second quarter of 1953 inventories were being built up at an annual rate double that of the first quarter, although Gross National Product was increasing at a rate of less than 3% and personal consumption expenditures for goods and services less than 1%.

The intended effect of the Treasury's offering of a long term bond was exaggerated by the disappointment of the free riders. Their hope of a quick profit, on purchases made with borrowed money, was dashed when leading New York banks raised their prime rate to 3¼% on April 27, 1953. There was no run-up in price. Instead, before they were a week old the new 3¼s dropped below par, and they continued to fall, carrying the whole bond market with them. On June 1 the 3¼s hit bottom at 98 18/32 bid; the bank 2½s, which had been 95 26/32 early in the year, were only 90.0 bid at the close that day.

Much resentment was expressed because the Federal Reserve did not use its open market operations vigorously to support Government bond prices as soon as the new 3¼s weakened. Actually, by the end of the second week, i. e. by May 6, the Fed had bought a small amount of Governments on repurchase agreement and it continued to do so for several weeks until prices steadied.

There was no real money scarcity in those two weeks. Federal Reserve credit increased. But the fear of tight money caused some dumping of securities — and any amount of gloomy talk. As always, fact and fright had a hard time getting together. Despite Federal Reserve support, Government bond prices did not turn upward until early in June, and it was July before municipals stopped running down hill.

The truce agreement was reached late in August 1953. The big Korean-war-pent-up-demand boom had already ended. The index of industrial production touched its high of 137 in May 1953. There was no more need to curb expansion, but the pain of contraction could be eased, and the Federal Reserve continued to foster easy money.

On June 24 a reduction in reserve requirements was announced large enough to add an estimated $1,156,000,000 to excess reserves. Banks were thus enabled to buy the Treasury's new money issue of $5,902,000,000 certificates in July. During the remainder of the year the Federal Reserve bought bills when need of additional credit appeared and all new Treasury issues were carefully tailored to bank preferences for purchase or rollover. Nothing was done to make any more troublesome the mild recession which was everyday more evident. The policy of the Federal Reserve, publicized under the incongruous designation of "active ease," was well understood to mean that money could be borrowed on easy terms for any legitimate business need.

Member bank loans increased up to the end of the year, many of them for carrying inventory, some for excess profits tax purposes, but member bank borrowings from the Federal Reserve were much less than in the latter part of 1952, over $1,000,000,000 less.

As soon as their funds were increased by lower reserve requirements, banks hastened to buy municipal bonds. They bought some bargains and pushed prices up. From 3.09% on June 26 the Bond Buyer's Index rose to 2.58% at the end of the year. The range for 1953 was 2.38% to 2.58%. Sales of tax-exempts in 1953 less refundings totaled $5,431,348,531, a new high.

1954

When Congress met in January 1954 every member knew that then was the time for all good men to come to the aid of the party, either party. Industrial production was down to 125 from 137 the previous May, and as they argued, it slipped on down to 123. By May it was a little better, and it is quite possible that the slump, for it was hardly more than that, might have corrected itself without any help from Washington. But from the President right down, no one wanted to do less than the most possible.

The strictly New Deal proposals of WPA type were defeated but action was prompt and far-reaching. Regular government expenditures were due for a slight reduction but stock piling was resumed. Social security was raised and widened. Some tax cuts already were in force, more were legislated, more deductions allowed, excise taxes were cut. The tax on dividends was reduced slightly. Companies, already freed from the excess profits tax as of the end of 1953, were allowed more liberal amortization charges.

Most important of all, the housing act was modified to permit FHA loans on easier terms to more borrowers and VA loans were made available to veterans for homes with no down payment and 30 years to run.

Had Mr. Keynes himself been resurrected to act as emergency economic dictator he could hardly have thought of more shots to inject into more arms.

These extraordinary measures immediately forestalled the fears which might have curtailed spending, and soon the borrowing they were designed to encourage resulted in increased employment. As early as May, 1954, industrial production showed a slight increase. The veterans ordered new homes with multiple enthusiasm.

For five months early in 1954 instalment debt actually was a little lower than at the first of the year but by July any misgivings about the blessings of debt had been dispelled. Seeing how little anyone was cutting down his expenditures, many companies revised their plans and expanded their plants. At the end of the year the index of industrial production was back to 130.

The Federal Reserve, which sees its duty as curbing extremes in either direction, continued to make it easy for banks to lend to all proper borrowers. It lowered the discount rate from 2% to 1¾% on Feb. 5 and to 1½% on April 16, 1954. It also reduced reserve requirements twice in July. Its open market operations were attuned to seasonal needs and the Treasury's borrowings.

The Treasury borrowed less new money in 1954 than in 1953 but it had a great amount of refunding to do. Each financing was long discussed and carefully fitted to what the banks could use at that time. Maturing obligations were offered a choice of maturities, with eight years eight months in the December financing and the longest of the year.

Despite all these helpful efforts the business loans of member banks decreased through August, because manufacturers and stores were liquidating inventory. Real estate loans increased in most months but total loans decreased through August. After the summer lull industrial production increased rapidly.

From December, 1953, to the end of 1954, the money supply increased more than $9½ billion.

The many measures taken by various departments of the Federal Government and by the Federal Reserve were frankly and intentionally inflationary. The stimulation they provided stopped the business cycle in its tracks. Worry was replaced by the belief that the all-rich, all-compassionate, all-wise Uncle in Washington will take care of everyone all the time and never, never permit another depression.

The Federal Reserve continued to keep the banks well supplied with excess reserves until there could be no doubt that the recovery was well started. It was not until December that it began to leave the bill market to get along without help and to make it evident that if banks wanted more excess reserves they would have to go to their Federal Reserve banks and borrow.

Since then stock prices have made all-time highs and it has been noticed that instalment buying, automobile sales, and mortgage borrowing are the greatest ever — and perhaps too great. Since none of these types of borrowing can be curbed easily, there is now beginning to be some question as to whether or not an incubated boom can be healthy. And then there is the further question as to what can be done if it isn't.

But 1954 should have been ideal for municipal bonds, with Treasury borrowing non-competitive, money easy all the year, and banks buying eagerly. It was an excellent year in that it marketed a huge and difficult total of bonds with a gain in price over the year. The Bond Buyer's index went from 2.58% at the end of 1953 to 2.26% for a short time during the summer lull to 2.36% on Dec. 31, 1954. It was a very fortunate year for the municipal bond market in that it did not have to suffer for the recklessness of others — as it did when money was allowed to get tight in early 1953 to check the industrial boom—and as it may suffer again in the near future.

Nineteen fifty-four gave little cause for complaint on the score of **demand**, which was the largest ever. But the **supply** of debt paper of all kinds was so overwhelming that investors could have had little time to do anything but invest.

The year's total of new tax-exempts was $6,810,758,613, almost equally divided between $3,754,260,796 of general obligation bonds and $3,056,497,817 revenue bonds, largely of Authorities. And also demanding attention were $7,545,000,000 of corporate bonds. Mortgages outstanding increased $12,600,000,000 in 1954, consumer borrowing soared $2,292,000,000 from its low in March.

Last year's tax-exempt issues, in their great volume and diversity, needed imagination as well as experience for their pricing. High grade issues, overnumerous, dulled each other's luster. And there was such a a parade of turnpike, tunnel, bridge, and other Authority bonds that the free riders got their fill of them. And without these speculators, unwelcome as they have been at times, it was hard to know how to create enough interest to sell such huge issues quickly.

1955

The Bond Buyer's index was 2.38% on Jan. 7, then 2.45% for about a month to the end of March and is 2.40% on April 29.

What municipal bond prices have done in the first four months of this year can be stated in a few short sentences. The averages have not declined much because the output of new issues has been small—only about 86% as much as during the same period last year—and because the averages are made up of 20-year bonds.

The averages give no idea of what has happened. One to 15 year maturities are off sharply because banks as a group are buying next to nothing. Longer maturities are about unchanged or up a little, because insurance companies, trust funds, and other long term investors have been in the market. For example:

January

$60,000,000 California sold 1-5-55
due Feb. 1, 1957 @ .75%
1958 @ 1.00%
1959 @ 1.15%
1960 @ 1.25%
1965 @ 1.65%
1975 @ 2.20%

April

$30,000,000 California sold 4-27-55
due Nov. 1, 1957 @ 1.10%
1958 @ 1.25%
1959 @ 1.35%
1960 @ 1.40%
1965 @ 1.75%
1975 @ 2.10%

Stated differently, short maturities have to yield enough to compete with the high interest rates being paid by other short term borrowers. For long term borrowing the recent increase in rates has been more moderate and as yet hardly shows in the long end of a municipal scale, because of relative scarcity.

However, the condition of the money market in which new tax-exempt issues must be sold is changed entirely from a year ago. By common consent the recovery was well under way by September 1954, with the output of durable goods rising steadily from August, construction from June. Nevertheless the Federal Reserve Board continued its policy of "active ease" through the first week of December. Then it stopped buying bills and, except for a little temporary help to excess reserves now and then, has gently reduced Federal Reserve bank credit through April 20. Banks have increased their loans contra-seasonally and to keep their reserves in order have sold Governments and increased their borrowings from the Federal Reserve by a moderate amount.

The open market operations of the Federal Reserve are of little interest to anyone outside of the financial district. But the more pointed hints from Washington have made headlines.

On Jan. 5 margin requirements were raised from 50% to 60% and on April 25 to 70%. On Feb. 15 the Treasury exchanged $1,923,000,000 of maturing or called obligations into 3s, 1995, thereby removing that rather large sum from the possibility of being used for short term lending—for margin trading, or buying automobiles, for example.

On April 14 the discount rate was raised from 1½% to 1¾%.

On April 7 Mr. Allan Sproul, President of the Federal Reserve Bank of New York, made a speech in which he suggested what would be logical developments in a recovery period. The papers printed portions of his talk and copies were free for the asking at the Federal Reserve Bank. Since no one's opinion on the subject of monetary policy could be more enlightened than Mr. Sproul's, his points will bear repeating.

Mr. Sproul said that, if war can be avoided and recovery continues, these things **might** occur

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The Anatomy of Bond Prices

He did not say that they **will** occur, but that they **might.**

(1) "more borrowing by the banks from the Federal Reserve."

Comment—(i.e., less money for municipal bonds.)

(2) some rise in interest rates. "In fact, as you know, there has already been a rise in interest rates, proportionally greater at short term than at long term, but extending throughout the whole range of debt maturities." "The movement of interest rates . . . will have to be watched more closely . . . A rise in interest rates which went too far too fast could be damaging."

Comment—(i.e., bond prices are under pressure of rising money rates but scarcity or new demand may lessen the effect.)

(3) "Changes in the discount rates of the Federal Reserve Banks might be made more frequently . . ."

Comment—(It is rumored that the rate may be raised again any day. Last Monday the weekly bill sale was at an average of 1.697% annually.)

Mr. Sproul listed a large number of searching questions which he applies to the mass of information on which he must base his judgment of the state of the economy. Many persons are saying that we are floating on a wave of thoughtless optimism, but Mr. Sproul did not make any statement of his views. Instead he explained in detail why the Federal Reserve Board had thought it necessary to restrict the further expansion of credit in the early months of 1953, saying that monetary policy can be "most useful in checking the excesses of the later stages of boom, thus helping to prevent or diminish the agonies of the 'morning after'!"

He went on to discuss the dangers of the Employment Act of 1946 as it has been interpreted, the difficulty of avoiding "creeping inflation" with dilution of the purchasing power of the dollar, and he ended by saying for himself and other Federal Reserve officers, "we can never lose sight of the broad purpose of our being—to help maintain those conditions in the economy which will promote high levels of production, employment, and consumption, and stability of the purchasing power of the dollar. This demands flexibility. . . . It demands that actions be taken with a view to accommodating the needs of the whole economy, in the public interest, and not the needs of special groups or interests, whether they be economic groups or political interests. . . . We are not vassals nor the pawns of any vested interest. We have taken a binding oath to serve the interests of all of the people of the United States to the best of our ability. We have no other purpose."

Mr. Sproul's speech puts the municipal bond market in perspective. He makes us see how idle it is ever to imagine that Federal Reserve policy is specifically concerned with the prices of our wares. The borrowers whose issues are tax-exempt and the merchants and buyers of those issues occupy only a small corner of the huge money market. There is neither favor nor malice in the guidance of the Federal Reserve Board which is "the servant of all."

Whether municipal bond prices are rising or falling, there are proper profits to be made by the merchants and wise investments to be selected by investors. But it is necessary to be alert at all times.

Looking back over the years, it is clear that the prices of municipal bonds, like the prices of anything else, can be distorted by their own supply-demand ratio, but they never can be independent of the over-all demand for and supply of credit.

Fortunately, there is nothing secret about the money market. The Federal Reserve Bulletin, each month, the member bank statements on Thursday, and the Reserve Bank statements on Friday tell us what has happened up to two days before. Our newspapers are full of business statistics and the latest news on all aspects of the economy. **To be in the securities business and not to be watching the money market continuously is to neglect the one most powerful changer of prices.**

To know the anatomy of municipal bond prices, as arithmetic can be known, may be impossible, but the complexity of the structure challanges us to keep on learning. And the more sensitive we become to price influences, the more adequately we can assist in the distribution of these instruments of credit which provide the facilities of civilization for our fellow men.

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National Strength Through World Trade

within Europe and with the rest of the world had failed to recover. Indeed, had it not been for the $11 billion of goods shipped from the United States to Western Europe in 1946 and 1947, chaos and anarchy might well have developed in many areas. It was in these circumstances, and in this atmosphere, that the Marshall Plan was born in 1948.

At the heart of the Marshall Plan lay a simple objective: the economic recovery of Europe through increased production and expanding trade. Neither one could have been accomplished without the help of exports from the United States. At first, to get production started, our shipments had to be gifts—not truly trade in the sense that they represented an *exchange* of goods. But this was only temporary. A principal objective of the plan was to restore each country's ability to *buy* from others (including the United States) the things it could not produce easily itself, such as cotton, wheat, or special types of machinery. It goes without saying that if Western Europe were to do this without subsidy on our part, it would have to build up its sales to the United States and other countries in order to earn the necessary dollars and other foreign exchange.

Accomplishments of the Marshall Plan

How has this plan worked out? We now are at a point where we can look back on it with some perspective. Industrial output in Western Europe today stands 85% above 1947 and is fully 50% more than in 1938. Living standards have moved up substantially and they also are higher than in the late Thirties, despite a 12% increase in population. Signs of this improvement are everywhere—the Volkswagens in West Germany, the new homes in Britain, and more to eat throughout the whole area. For the first time in a generation, new hope is stirring in the hearts of many West Europeans. The Communists have been thrown on the defensive, and the very real fear right after the war that they might take over key areas like France or Italy is now gone. These results, which are every bit as good as we had reason to hope for in 1948, have stemmed in part from a revival of trade, larger trade between the nations of Western Europe themselves; larger trade with the United States; larger trade with the rest of the world. The total trade of Western Europe has about doubled since 1947. What is even more encouraging, these nations now are largely paying their own way. The so-called "dollar gap," about which we were all so concerned a few years ago, now has all but disappeared.

It would be an exaggeration to imply that the export of U. S. goods shipped under our foreign aid program has been solely responsible for this progress. Most important has been the industry and the perseverance of the men and women of Western Europe. They are people whom we can indeed be proud to call allies; and to them chief credit is due for the revived military and economic strength that confronts the Soviet Union in Europe today. Still, I believe most objective Europeans would freely admit that without the enlightened economic policies pursued by the United States, this recovery would have been painfully prolonged, or might have failed altogether.

Initially, assistance took the form of economic *aid.* It was outright gifts of goods which enabled Western Europe to climb back to her feet, and start building for the future. Today emergency aid properly has given way to a wholesale competitive *trade* which permits Europe and the United States to reap the fruits of a growing and mutually beneficial exchange of goods. This trade is quite naturally not only with the United States, but with other areas as well. Western European living standards are dependent to a high degree on trade and any curtailment would inevitably cause her economy once more to decline under a growing anemia.

What was true of Europe was also true in varying degrees of the other nations of the Free World. During the period from the close of the war in 1945 until 1953 the United States *exported* goods and services having a value of $135 billion. During the same period we *imported* goods and services having a value of only $99 billion. The difference of $36 billion was made up almost entirely by U. S. Government aid and loans. In this time, however, the volume of exports that could be paid for by our imports continued to rise, so that by 1953 Europe and the Free World as a whole were largely earning their own way in trade with us.

Now this great step forward toward a balanced, self-supporting trade would have been impossible if the United States had not pursued an enlightened trade policy. We let goods flow into our country which we needed and which other nations could turn out more economically than we. The dollar value of our imports of raw materials and other goods increased by more than three-fourths in the period from 1947 to 1953. In the process we not only strengthened the economic bonds of the Free World but added to our own well-being. Our own dependence on foreign trade is, in fact, increasing. We have, for example, a great and growing need for the iron ore of Canada, the copper of Chile, and the uranium of the Congo. Our life is certainly made richer by the coffee from Brazil, the wool from Australia, and the high quality goods from Western Europe and Britain.

Yet the advantages of foreign trade to us have not always been fully understood. There was a time in our history when we tried to shut out many important classes of goods. While it is debatable if such a policy was ever a wise one, it is clear that the prewar world trade restrictions did not have the far-reaching consequences which follow in the much smaller world of today. Fortunately, our government has been taking steps to liberalize our trade with other nations over recent years.

Nevertheless, many perhaps do not realize how great the change has been in our trade policy over the past two decades. In the mid-30's tariffs on goods ranging up to 100% or more were not uncommon. Indeed the tariff on all dutiable goods that entered the country averaged about 50% in this period. Today the average is only 12%, although tariffs very much higher than this still stand on many goods. Even so, a number of items now enter the country in much larger quantity than formerly. Moreover, almost three-fifths of our foreign trade today enters without paying any tariff. To a considerable extent this large proportion of duty-free items is caused by and reflects our increasing dependence on other nations for essential raw materials.

Clearly this gradual liberalization of trade has paid big dividends. It has enabled the rest of the Free World to exchange their goods for the machinery and supplies they need so badly from the United States. And in so doing the Free World has slowly but perceptibly strengthened itself—not only Western Europe, but the Middle East, much of Asia, and our neighbors to the North and South as well. At the same time, this whole process has also benefited us. By bringing us goods at a lower cost, trade raises our standard of living. More important, it has added to the security of all of us by making the economies of our allies more robust and more resistant to possible aggression or subversion by Communism.

At the Crossroads on Foreign Trade Policy

This progress brought about by trade serves as useful background as we now consider what we should do in the future. For in a very real sense, we have arrived at a crossroads in the determination of trade policy—indeed in the determination of the entire complex of policies which shape relationships between our economy and those of other lands. The crisis of Western Europe is now largely behind us. We have lowered tariffs substantially in the last 20 years, and, as a result, our purchase of goods from other countries has shown an encouraging response. We may well ask, then, does this mean that we can now afford to rest on our oars, relax a bit, and perhaps even drift for a while in the opposite direction?

There are those who think this is the case. But I cannot count myself among them; nor, I have been gratified to see, has President Eisenhower or a majority of Congress felt that this would be a wise course to take. As you know, the President has followed a path recommended more than a year ago by a committee of distinguished citizens headed by Clarence Randall, Chairman of the Inland Steel Company, a course by which the barriers to trade between the United States and other nations would continue to be held to a minium consistent with healthy operation and employment in those industries already active in our country. This is essentially the same path we have been pursuing for the past 20 years. The President is determined to continue along it; and a substantial group in Congress have agreed that this is the wise course to follow.

It seems to me that there are very compelling reasons why we should continue to hew to the basic principles that have governed our trade policy in recent years. First, while we have undoubtedly made great progress, we have not yet achieved our ultimate objective in world trade. This objective calls for a maximum of trade between nations consistent with the most efficient use of resources in each country. To achieve such a goal, there should be no discrimination against the goods of any one country as compared with other countries. For discrimination slows down the healthy growth of trade and forces it into uneconomic channels. Today there is still discrimination, though on a much smaller scale than formerly, and that discrimination is exercised chiefly by other nations against goods sold by United States exporters.

Where Discrimination Exists

It may surprise you that this is so. But the fact is that nations like Britain, France, Italy and Australia not only impose a duty on goods coming into their countries but in addition limit the *quantity* of certain imports of U. S. goods such as machinery. They do this because the dollars earned through the sale of goods to the United States still are not adequate, nor is the flow stable enough to permit their citizens to buy all they want from the United States. Our own government recognizes this to be the case, and it has not objected to such discrimination as a temporary expedient. But it has insisted, and other countries have agreed, that the common goal of all nations should be the eventual elimination of these discriminatory practices. This is a goal in which quite obviously the producers of many key items in the United States have a large stake.

As a matter of fact, the problems of the American exporter, and the harm that will come to his business in the absence of trade, too often are forgotten by those concerned about the impact of imports on industries with which foreign goods are competitive. Yet simple arithmetic shows that we can only sell to other lands an amount equal to what we buy from them. For short intervals, and on an emergency basis, it may be otherwise; but basically if we cut back on our imports, our exports also must be curtailed. Whom do we hurt in so doing? Well, today more than a fourth of our cotton, a fifth of our textile machinery, almost 30% of our tractors, and close to a fourth of our tobacco goes abroad, to name just a few products that lean heavily on foreign demand. Quite clearly the welfare of these and other producers for export is heavily involved in any consideration of our trade policy.

These facts—coupled with the realization that maximum strength within the Free World can only be achieved through trade—provide the steam behind the steady pressure to reduce barriers against exports. To date we have made substantial progress. The various quotas here and elsewhere that shut out or limit the import of goods, including U. S. exports, have been cut back steadily. Foreign currencies since the war have moved gradually toward full convertibility with respect to one an-

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other and the dollar: notably the West German mark, the Netherlands guilder and, most importantly, the British pound. The goal of currency convertibility has at last come within sight. But this progress is not easy. It requires persistence, adherence to a consistent policy and, by no means least, the existence of some form of organizational framework through which the give and take of mutual concession can be worked out by all the nations concerned.

Fortunately, the Free World created such a mechanism in this postwar period—a mechanism through which it has managed to achieve a great deal of mutual agreement and concession on trade matters. It is a mechanism which has been little known or understood by the general public; yet in my judgment it is of critical importance. I refer to the General Agreement on Tariffs and Trade which was organized in 1947 and to which 34 countries now belong, including the United States.

The GATT and OTC

The General Agreement on Tariffs and Trade, as well as the proposed new Organization for Trade Cooperation, which the President is recommending that the United States join, will be under public discussion in the weeks ahead. Unfortunately, there appears to be some misunderstanding of the functions of the General Agreement, as well as of the Organization for Trade Cooperation. Perhaps the inevitable nickname of the General Agreement on Tariffs and Trade—"GATT"—has tended to make people suspicious. Certain of our public officials, at any rate, have tended to regard GATT as some type of explosive and dangerous weapon.

In actual fact, the General Agreement on Tariffs and Trade is no more than what it says—it is an agreement among 34 nations regarding the tariffs they will charge and the ground rules they will follow in trade relations with one another. To my way of thinking GATT represents a real step forward in cooperation among nations in vital matters of trade. In fact, the General Agreement is the chief way in which the United States and other nations have reduced tariffs by common consent in recent years. It is the end result of long and careful negotiations. In the process there has been give and take all along the line, so that no one nation has benefited at the expense of another. Tariff reductions have been truly reciprocal, with other countries matching the concessions the United States has been willing to make. As a result of this general bargaining, the United States undoubtedly has gained considerably more than would have been possible if it had tackled the job of tariff reduction piecemeal, through bilateral country-by-country negotiations.

Moreover, the ground rules set up under GATT to govern trade relations serve a valuable function, especially for the United States. They provide assurance that no country can offset a tariff cut simply by replacing it with some new form of barrier. For the United States this has great significance, since tariffs have not been the principal means by which our exports have been shut out of other countries. As I have suggested, much more important have been various types of quotas which set limits on the quantity of United States goods imported. Under the terms of GATT new quotas can't be levied against U. S. goods except under special circumstances. Moreover, member nations are pledged to press for the elimination of quotas that already exist. This is a very important provision at the moment, since the gradual disappearance of the dollar shortage in Europe and elsewhere should enable our country to press for the elimination of certain quotas that now discriminate against our exports. I should add, however, that one exception to this provision is the complex of quotas designed to help agriculture. The continuation of these has been found necessary in the United States and elsewhere.

Obviously, to administer properly an undertaking as large and complicated as GATT, involving trade relations among 34 nations which handle 80% of the Free World's trade, some form of cooperative or supervisory body is necessary. Actually, a secretariat has been in existence since the first days of the General Agreement in 1947. But this secretariat has so far existed on a temporary and inadequate basis. The nations which are parties to the General Agreement, including the United States, therefore have worked out a plan to establish a more permanent supervisory unit, called the Organization for Trade Cooperation. The President has strongly recommended to Congress that the United States join this body.

In joining the Organization for Trade Cooperation we would be undertaking no new commitment. We would be agreeing to a cooperative arrangement in which all parties to the General Agreement on Tariffs and Trade would have an administrative and supervisory hand. I say this with care, because here, too, there has been some misunderstanding. If the United States were to fail to join the Organization for Trade Cooperation this might well prove to be a decisive step toward dissolving the pattern of trade cooperation which, with our help, has been so carefully built up since the war. As President Eisenhower, himself, has put it, and here I quote:

"Failure to assume membership in the Organization for Trade Cooperation would be interpreted throughout the free world as a lack of genuine interest on the part of this country in the efforts to expand trade. It would constitute a serious setback to the momentum which has been generated toward that objective. It would strike a severe blow at the development of cooperative arrangements in defense of the free world. It could lead to the imposition of new trade restrictions on the part of other countries, which would result in a contraction of world trade and constitute a sharp setback to United States exports. It could result in regional realignments of nations. Such developments, needless to say, would play directly into the hands of the Communists."

The truth of the matter is that the entire fabric of international economic cooperation is very delicate indeed. To tear it apart at one point means to endanger the structure throughout. Our foreign trade, our foreign aid program (now turned to helping build up the arc of Free Asia), and our investment in other lands—all are interrelated and all are essential to the growing strength of the United States and the Free World.

This is a fact which is recognized more and more by a majority of our responsible citizens. That is why I am confident that we shall continue to follow the path of friendly and mutual cooperation in our international economic relations. If we do, I foresee a continued growth in our trade and our foreign investment as well. This will certainly mean a stronger, a more secure and a more prosperous America, for national strength in this day and age depends on world trade.

With Marache Dofflemyre

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arnold Handelman and Fred E. Moore joined the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Handelman was formerly with Daniel D. Weston & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A defensive attitude still prevails in the government market in spite of a somewhat improved feeling among certain money market specialists. The time has not yet arrived, however, when the caution and uncertainty which is typical of a bear market in Treasury obligations is being dissipated. However, it appears as though the current thinking does give some encouragement to the opinions that the worst of the decline in quotations of Treasury obligations has already been seen.

The near-term government issues continue to be the important ones because this is the only section of the market in which there is confidence, even though rates have shown a tendency to fluctuate a bit. The market for the intermediate and longer-term governments is very thin and professional, which means that they are very susceptible to not important movements in both directions.

No Present Cause for Optimism

Even though there appears to be a minor betterment in the attitude of specialists in the money markets, it does not look as if there will be any important developments in the broad policy of the powers that be, in the near future, which would bring about a more optimistic feeling towards government securities. The fact that quotations of Treasury obligations have been able to rally here and there, has not been unfavorable to the money markets, but this represents mainly technical developments which are to be expected, since prices generally back and fill, whether it be a bull market or a bear market.

It is evident that the money market is marking time, awaiting developments which are not expected to crystalize in the very near future. It seems as though the demand for funds is going to continue strong for a while and this, along with the credit limiting and interest hardening operations of the monetary authorities, are not exactly conducive to the making of important commitments in the more distant maturities of government bonds. However, it is believed by certain money market specialists that there will be some relief from the pressure of the powers that be in the future to enable the Treasury to take care of its needs for funds.

Impact of Lessening World Tension

The international situation is also not without consideration as far as the money markets are concerned, and improved relations between World Powers would not have un unfavorable influence upon government obligations. Any abatement of the Cold War would most likely have its principal immediate effect upon defense expenditures, because a reduction in these items, which still constitute about two-thirds of the Federal Government spending, would be important to not only the economy as a whole but also to the money markets. It is believed that the recent developments abroad, which have been on the favorable side, have been responsible in some measure for the slightly better feeling and the rallying tendencies which have come now and then in the government market.

Money Market Factors

The equity market is still an item as far as the money markets are concerned, and even though the amount of credit being used in the purchase of common stocks is not considered to be excessive, there is not likely to be much abatement of the pressure by the monetary authorities as long as the stock market is in the spotlight. Likewise, the instalment picture is not without importance, either, as far as the future of the money market is concerned. Mortgage lending continues at a very rapid pace, even though there have been signs of a very minor slowing down here and there.

On the other hand, there are reports that some of the smaller commercial banks with savings deposits have been making a slightly increased number of what are being termed "desirable real estate loans."

Pension Fund Activities

There are reports that some of the state pension funds have been making not too important commitments in the 3s, while others have been taking on a few of the long-term 2½s. There is likewise evidence that private pension funds have been sellers of the 3s and 3¼s, with part of these funds being put to work in short Treasury issues and nongovernment obligations. The latter includes bonds and preferred stocks.

$30,000,000 Offering By 13 Banks for Cooperatives

The 13 Banks for Cooperatives on May 20 offered to the public a $30,000,000 issue of one-year consolidated collateral trust debentures through John T. Knox, their fiscal agent.

These debentures, which are being offered at par, bear interest at 2.35% a year. The interest is payable with the principal at maturity. These debentures are dated June 1, 1955, and will mature on June 1, 1956.

The proceeds from the sale of these consolidated debentures will be used primarily to redeem $40,000,000 of Central Bank for Cooperatives 1½% debentures maturing on June 1 and to finance the bank's lending operations.

The sale of this second issue of consolidated debentures is being made with the assistance of a nationwide group of security dealers.

These consolidated, secured debentures are the joint and several obligations of the Central Bank for Cooperatives and 12 district Banks for Cooperatives. The banks are chartered under the provisions of the Farm Credit Act of 1933. They operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on terms particularly suited to their needs.

Ashton Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — George C. Braidwood is now with Ashton & Co., 15315 West McNichols Road.

Andrew Jordan Back At His Desk

SEATTLE, Wash.—Andrew A. Jordan is back at his desk with Dean Witter & Co., 1221 Fourth

Andrew A. Jordan

Avenue, after a month's vacation at Honolulu with Mrs. Jordan. "Tex" is boosting Honolulu for climate, scenery, and people.

Potomac Elec. Power Offering Underwritten

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. head an investment banking group which is underwriting an offering by Potomac Electric Power Co. of 511,660 shares of common stock to its common stockholders. The company is offering the common stock through warrants expiring on June 7, at $19.50 per share on the basis of one share for each 10 shares held of record May 23, 1955.

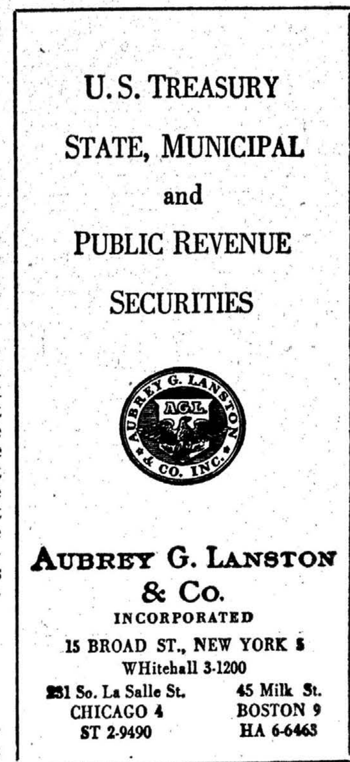
Proceeds from the sale of the common stock together with proceeds from the sale of $10,000,000 first mortgage bonds and other company funds will be used, after first retiring $3,200,000 of bank loans, to finance 1955 construction projects estimated to cost approximately $26,000,000.

The company furnishes electric power to an area of approximately 643 square miles comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia, having a population of about 1,360,000.

Joins F. I. du Pont

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William A. Miller has become associated with Francis I. du Pont & Co., 317 Montgomery Street. Mr. Miller was formerly for many years with Sutro & Co.



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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 29	§96.3	*96.9	95.6	71.2
Equivalent to—					
Steel ingots and castings (net tons)	May 29	§2,324,000	*2,338,000	2,307,000	1,698,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 13	6,681,050	6,667,550	6,828,450	6,428,250
Crude runs to stills—daily average (bbls.)	May 13	†7,061,000	7,029,000	7,131,000	7,020,000
Gasoline output (bbls.)	May 13	24,416,000	23,959,000	24,017,000	24,050,000
Kerosene output (bbls.)	May 13	2,070,000	2,075,000	2,177,000	2,019,000
Distillate fuel oil output (bbls.)	May 13	10,040,000	10,307,000	10,841,000	8,953,000
Residual fuel oil output (bbls.)	May 13	7,470,000	7,530,600	8,026,000	8,136,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 13	171,134,000	174,243,000	181,864,000	175,750,000
Kerosene (bbls.) at	May 13	22,951,000	22,195,000	19,451,000	21,590,000
Distillate fuel oil (bbls.) at	May 13	72,710,000	70,551,000	63,360,000	65,531,000
Residual fuel oil (bbls.) at	May 13	44,161,000	43,305,000	44,741,000	44,996,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 14	757,333	740,935	674,389	677,540
Revenue freight received from connections (no. of cars)	May 14	651,343	645,574	606,292	589,362
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 19	$475,705,000	$458,746,000	$382,790,000	$330,447,000
Private construction	May 19	324,471,000	286,442,000	233,676,000	227,510,000
Public construction	May 19	151,234,000	172,304,000	149,114,000	102,937,000
State and municipal	May 19	117,460,000	116,208,000	116,194,000	80,483,000
Federal	May 19	33,774,000	56,096,000	32,920,000	22,454,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 14	8,920,000	8,650,000	8,445,000	7,149,000
Pennsylvania anthracite (tons)	May 14	395,000	394,000	385,000	418,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 14	108	134	103	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 21	9,730,000	9,673,000	9,697,000	8,373,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 19	226	233	204	248
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 17	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	May 17	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	May 17	$34.67	$34.67	$36.00	$28.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 18	35.700c	35.700c	35.700c	29.700c
Export refinery at	May 18	35.800c	35.775c	38.050c	29.675c
Straits tin (New York) at	May 18	91.375c	91.375c	92.125c	93.500c
Lead (New York) at	May 18	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	May 18	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	May 18	12.000c	12.000c	12.000c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 24	96.65	97.00	96.32	99.50
Average corporate	May 24	108.88	108.88	109.42	110.70
Aaa	May 24	112.19	112.37	112.93	115.43
Aa	May 24	110.34	110.34	110.70	112.56
A	May 24	108.88	109.06	109.60	110.34
Baa	May 24	104.14	104.14	104.48	104.66
Railroad Group	May 24	107.27	107.27	107.44	109.42
Public Utilities Group	May 24	109.42	109.42	109.97	110.52
Industrials Group	May 24	109.97	109.97	110.52	111.81
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 24	2.75	2.72	2.77	2.53
Average corporate	May 24	3.23	3.23	3.20	3.13
Aaa	May 24	3.05	3.04	3.01	2.88
Aa	May 24	3.15	3.15	3.13	3.03
A	May 24	3.23	3.22	3.19	3.15
Baa	May 24	3.50	3.50	3.48	3.47
Railroad Group	May 24	3.32	3.32	3.31	3.20
Public Utilities Group	May 24	3.20	3.20	3.17	3.14
Industrials Group	May 24	3.17	3.17	3.14	3.07
MOODY'S COMMODITY INDEX	May 24	399.1	401.7	400.4	438.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 14	243,958	372,718	235,891	242,970
Production (tons)	May 14	274,269	271,427	266,031	252,436
Percentage of activity	May 14	97	97	92	92
Unfilled orders (tons) at end of period	May 14	578,264	611,141	514,762	417,905
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 20	106.73	106.79	107.07	108.13
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. 30	1,246,390	1,369,366	1,274,329	1,090,970
Dollar value	Apr. 30	$66,416,081	$71,524,445	$64,645,879	$52,036,873
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 30	1,122,658	1,302,009	1,185,730	1,110,720
Customers' short sales	Apr. 30	7,697	7,078	8,451	8,162
Customers' other sales	Apr. 30	1,114,961	1,294,931	1,177,279	1,102,558
Dollar value	Apr. 30	$56,990,244	$65,679,789	$57,924,956	$50,707,069
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 30	303,440	398,430	320,220	358,470
Short sales	Apr. 30	------	------	------	------
Other sales	Apr. 30	303,440	398,430	320,220	358,470
Round-lot purchases by dealers—					
Number of shares	Apr. 30	432,380	421,850	413,560	355,060
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. 30	533,740	569,080	574,860	495,840
Other sales	Apr. 30	12,830,950	14,747,530	14,275,030	12,071,290
Total sales	Apr. 30	13,364,690	15,316,610	14,849,890	12,567,130
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 30	1,750,490	1,715,410	1,754,360	1,272,280
Short sales	Apr. 30	302,850	335,390	332,690	245,820
Other sales	Apr. 30	1,432,410	1,545,120	1,428,140	1,077,430
Total sales	Apr. 30	1,735,260	1,880,510	1,760,830	1,323,250
Other transactions initiated on the floor—					
Total purchases	Apr. 30	322,540	301,600	377,030	360,850
Short sales	Apr. 30	24,400	33,700	36,900	31,000
Other sales	Apr. 30	315,620	330,740	470,910	375,780
Total sales	Apr. 30	340,020	364,440	407,810	406,780
Other transactions initiated off the floor—					
Total purchases	Apr. 30	639,229	596,625	532,661	437,660
Short sales	Apr. 30	106,330	98,880	89,100	55,050
Other sales	Apr. 30	658,033	643,524	573,701	401,130
Total sales	Apr. 30	764,363	742,404	662,801	456,180
Total round-lot transactions for account of members—					
Total purchases	Apr. 30	2,712,259	2,613,635	2,664,051	2,070,790
Short sales	Apr. 30	433,580	467,970	458,690	331,870
Other sales	Apr. 30	2,406,063	2,519,384	2,372,751	1,854,340
Total sales	Apr. 30	2,839,643	2,987,354	2,831,441	2,186,210
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 17	110.3	110.4	110.3	111.3
Farm products	May 17	91.7	*92.3	92.1	100.7
Processed foods	May 17	103.0	103.3	102.4	107.6
Meats	May 17	84.1	85.2	83.4	101.9
All commodities other than farm and foods	May 17	115.7	115.7	115.8	114.4

*Revised figure. ‡Includes 611,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN RAILWAY CAR INSTITUTE—Month of April:			
New domestic freight cars delivered	2,750	2,833	4,038
AMERICAN ZINC INSTITUTE INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	83,804	89,179	70,258
Shipments (tons of 2,000 pounds)	99,896	94,507	70,618
Stocks at end of period (tons)	74,745	90,837	200,740
Unfilled orders at end of period (tons)	65,127	60,057	31,702
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of April (in thousands)	$158,289,000	$178,914,000	$154,759,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$35,119,569	$22,232,353	$24,059,033
Middle Atlantic	81,747,900	106,256,795	110,066,444
South Atlantic	44,085,131	54,570,182	43,536,082
East Central	102,254,681	93,021,764	105,167,335
South Central	95,164,823	96,005,691	71,770,239
West Central	46,303,002	42,651,962	36,676,458
Mountain	23,288,665	29,963,928	18,831,505
Pacific	93,209,258	92,135,424	79,781,772
Total United States	$521,173,029	$542,838,099	$489,888,868
New York City	49,939,864	59,577,583	55,063,895
Outside New York City	$471,233,165	$483,260,516	$434,824,973
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:			
Manufacturing number	154	225	200
Wholesale number	93	119	82
Retail number	484	520	535
Construction number	106	108	92
Commercial service number	66	66	66
Total number	903	1,038	975
Manufacturing liabilities	$12,653,000	$16,921,000	$20,568,000
Wholesale liabilities	3,871,000	4,932,000	4,574,000
Retail liabilities	10,765,000	11,972,000	12,030,000
Construction liabilities	6,450,000	4,468,000	3,692,000
Commercial service liabilities	2,229,000	2,916,000	1,648,000
Total liabilities	$35,968,000	$41,209,000	$42,512,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	11,756	13,417	10,272
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	34,700,000	37,150,000	28,478,000
Pennsylvania anthracite (net tons)	1,640,000	*1,910,000	1,958,000
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	6,235,824	*5,394,166	5,144,689
Oven coke (net tons)	6,130,731	*5,326,969	5,109,543
Beehive coke (net tons)	105,093	*67,197	35,146
Oven coke stock at end of month (net tons)	2,525,662	*2,613,521	2,718,856
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of February (000's omitted)	37,654,269	38,197,992	33,034,637
Revenue from ultimate customers—month of February	$655,779,000	$660,153,000	$595,986,000
Number of ultimate customers at Feb. 23	51,361,703	51,277,150	50,018,598
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of April:			
Gas-fired furnace shipments (units)	63,900	58,200	**
Gas conversion burner shipments (units)	9,300	7,700	14,700
Gas operated boiler shipments (units)	5,900	5,200	**
Domestic gas range shipments (units)	181,600	217,000	172,400
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of April:			
Seasonally adjusted	136	135	123
Unadjusted	137	137	124
INTERSTATE COMMERCE COMMISSION—Index of Railway Employment at middle of April (1935-39 Average=100)	101.1	101.2	104.8
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$201,474,000	$176,943,000	$196,916,000
Matured endowments	58,805,000	51,320,000	49,479,000
Disability payments	9,216,000	8,869,000	10,241,000
Annuity payments	39,210,000	38,307,000	38,682,000
Surrender values	86,702,000	73,883,000	79,293,000
Policy dividends	102,651,000	75,285,000	86,805,000
Total	$498,058,000	$424,607,000	$461,416,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of April	£10,356,000	£10,254,000	£9,338,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	17,612,000	20,231,000	16,895,000
Shipments from mills (barrels)	13,806,000	13,314,000	15,202,000
Stocks (at end of month—barrels)	27,017,000	23,436,000	27,562,000
Capacity used	78	81	78
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of March:			
Total operating revenues	$825,160,081	$724,335,469	$799,305,586
Total operating expenses	612,028,913	564,101,448	627,577,859
Operating ratio	74.17	77.88	78.52
Taxes	$93,921,574	$73,783,955	$81,846,577
Net railway operating income before charges	97,733,239	66,604,264	69,105,788
Net income after charges (estimated)	77,000,000	46,000,000	50,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of March (000's omitted):			
Savings and loan associations	$927,627	$702,007	$666,335
Insurance companies	173,867	150,944	123,583
Bank and trust companies	458,034	365,144	325,343
Mutual savings banks	133,904	115,786	102,773
Individuals	302,550	228,138	241,198
Miscellaneous lending institutions	458,630	395,683	314,287
Total	$2,454,612	$1,957,702	$1,783,519
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	$2,937,500
Net purchases	$29,872,000	$18,878,300	------

*Revised. **Being revised on basis of new data.

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The State of Trade and Industry

steel price rise is expected to come as a result of steelworkers' wage negotiations, this trade weekly reports.

This push for deliveries is strengthening the merchant pig iron business, which for a long while has lacked bounce. Because of slack demand, pig iron prices did not rise last summer when steel prices went up after a wage increase. Since then, iron ore prices have risen, and the iron and steel business has strengthened. Foundries think a price rise on pig iron is a sure thing after the coming wage negotiations, continues this trade magazine.

One group pressing for mill shipments but not for the same reason as most consumers is canners. They want tin plate and at the same time are trying to protect themselves against the off-chance of a steelworkers' strike. If it were to come, it would be near the peak of the fruit and vegetable canning season. Tin plate buyers are protected on price to October. Tin plate is sold on a contract currently of six months duration.

This push for deliveries, along with continued ordering, is keeping mills near capacity operations. For the third consecutive week, output of steel for ingots and castings in the week ended May 22 was at the record level of 2,328,800 net tons with mills operating at 96.5% of capacity.

Mill production of steel is exceeding consumption as is the case with new orders. Consumers are putting steel into inventory. The inventory-building is inspired by the possible price increase and the improvement in business. Buyers are continuing to order, so they will have a place on mill order books in case the good business continues into the third and fourth quarters of this year, says "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 96.3% of capacity for the week beginning May 23, 1955, equivalent to 2,324,000 tons of ingots and steel for castings as compared with 96.9% (revised) and 2,338,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 95.6% and production 2,307,000 tons. A year ago the actual weekly production was placed at 1,698,000 tons or 71.2%. 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 Made Further Gains in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 21, 1955, was estimated at 9,730,000,000 kwh., according to the Edison Electric Institute.

This week's output increased 57,000,000 kwh. above that of the previous week, when the actual output stood at 9,673,000,000 kwh.; it increased 1,357,000,000 kwh., or 16.2% above the comparable 1954 week and 1,717,000,000 kwh. over the like week in 1953.

Car Loadings Advanced Further in Latest Week With Ending of Labor Trouble

Loadings of revenue freight for the week ended May 14, 1955, during which labor trouble on several railroads in the Southern District came to an end, increased 16,398 cars, or 2.2% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended May 14, 1955, totaled 757,333 cars, an increase of 79,793 cars, or 11.8% above the corresponding 1954 week, but a decrease of 22,472 cars, or 2.9% below the corresponding week in 1953.

U. S. Automotive Output Declined the Past Week

The automobile industry for the latest week, ended May 20, 1955, according to "Ward's Automotive Reports," assembled an estimated 176,489 cars, compared with 177,287 (revised) in the previous week. The past week's production total of cars and trucks amounted to 207,452 units, a drop below the preceding week's output of 816 units, states "Ward's."

Last week's car output declined below that of the previous week by 798 cars, and truck output by 18 vehicles during the week. In the corresponding week last year 126,504 cars and 22,171 trucks were assembled.

Last week the agency reported there were 30,963 trucks made in the United States. This compared with 30,981 in the previous week and 22,171 a year ago.

Canadian output last week was placed at 10,265 cars and 2,680 trucks. In the previous week Dominion plants built 10,669 cars and 2,809 trucks, and for the comparable 1954 week 7,859 cars and 1,489 trucks.

Business Failures Hold to Lower Course

Commercial and industrial failures continued a mild downward trend to 226 in the week ended May 19 from 233 in the preceding week, Dun & Bradstreet, Inc., stated. This dip brought casualties below the 248 which occurred a year ago, but they remained above the 156 recorded in the comparable week of 1953. In relation to the prewar level, mortality was 22% lower than in 1939 when the toll was 289.

Failures involving liabilities of $5,000 or more dipped to 189 from 191 in the previous week and 211 last year. A mild decrease also appeared in small casualties, those with liabilities under $5,000, which declined to 37 from 42 a week ago but continued even with their 1954 level. Fourteen concerns failed with liabilities in excess of $100,000, as against 12 last week.

Wholesale Food Price Index Strikes New Low for Year

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned slightly downward last week following the mild upturn of a week ago. The index for May 17 fell to $6.37, a new low for the year and the lowest since April 14, 1953 when it was $6.35. It compared with $7.39 a year ago, or a drop of 13.8%.

Moving higher in wholesale cost the past week were rye, barley, hams, bellies, sugar, cottonseed oil and steers. Lower in price were flour, wheat, corn, beef, lard, coffee, tea and hogs.

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 Reacts in Latest Week to Mildly Lower Level

Following the mild uptrend of last week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned slightly lower last week to finish at 272.83 on May 17. This contrasted with 273.34 a week previous, and with 275.94 on the corresponding date a year ago.

Grain markets were irregular with prices holding in a narrow range in rather dull trading during the week.

Wheat showed strength in early dealings but weakened at the close influenced by reports of intermittent rains in the Southwest.

Early buying of the bread cereal reflected short covering and relatively small stocks of free wheat in the Chicago area. Winter wheat production, according to the official May 1 forecast, was estimated at 653,000,000 bushels, or about 9,000,000 bushels less than the April 1 forecast. Corn was quite steady with offerings about equal to current demands of processors. The demand for oats was less active with prices trending slightly easier. Purchases of grain and soybean futures on the Chicago Board of Trade the week preceding declined to a daily average of about 40,000,000 bushels, from 45,000,000 the previous week, and 50,000,000 last year.

The coffee market was nervous and irregular with prices working lower under the influence of various unconfirmed rumors from Brazil regarding plans to stabilize prices.

The domestic raw sugar market developed a firmer undertone aided by improved demand from refiners in the South and expectations of a seasonal pick-up in the demand for refined sugar.

Demand for world sugar was also active with prices stronger. Lard trended slightly easier in slow trading. Hog values declined at the close after holding firm most of the week on sustained broad shipping demand.

Cotton prices moved irregularly in a narrow range and finished slightly lower for the week.

Early firmness was attributed to moderate price-fixing and short covering, while the easiness shown in late dealings reflected profit-taking and liquidation influenced by favorable rains in some of the dry areas of the cotton belt.

Reported sales in the 14 markets totalled 137,300 bales. This represented the largest weekly volume in two months, and compared with 48,200 bales a week earlier and 63,200 two weeks ago. Activity in cotton textiles during April was limited and prices for some kinds of gray goods declined slightly.

Trade Volume Lower for Week But 5 to 9% Higher Than a Year Ago

In spite of widespread promotions, such as special night openings and "Downtown Days," retail trade in the period ended on Wednesday of last week was slightly lower than in the preceding week. Automobiles, furniture and other hard goods contributed significantly to total retail activity.

The dollar volume of sales was markedly higher than in the same week of 1954, when heavy rains and low temperatures prevailed in many sections of the country.

The total dollar volume of retail trade in the week ranged from 5 to 9% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the corresponding 1954 levels by the following percentages: East +2 to +6; Pacific Coast +3 to +7; Midwest +4 to +8; New England +5 to +9; South and Southwest +7 to +11 and Northwest +8 to +12.

As in the past few weeks, sales of household items continued well above a year ago. Case goods, refrigerators, washers and driers led retail sales in this category, with many consumers making replacement purchases. The buying of air conditioners lagged, but outdoor furniture and barbecue equipment were more popular.

The dollar volume of wholesale trade edged slightly higher than a week ago in the seven-day period ended on Wednesday. Orders were well above the level of the similar week in 1954, as the demand for clothing, textiles and household goods continued to rise moderately.

Department store sales on a country wide basis as taken from the Federal Reserve Board's index for the week ended May 14, 1955, advanced 11% from the like period last year. In the preceding week May 7, 1955, a rise of 9% was registered from that of the similar period of 1954, while for the four week's ended May 14, 1955, an increase of 9% was recorded. For the period Jan. 1, 1955 to May 14, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week advanced slightly over the like period a year ago aided by favorable shopping weather.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 14, 1955, advanced 2% above that of the like period of last year. In the preceding week May 7, 1955, an increase of 3% was recorded. For the four weeks ending May 14, 1955, an increase of 3% occurred. For the period Jan. 1, 1955, to May 14, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Parker Corporation Opens NYC Office

The Parker Corporation has announced the opening of a New York City office at 61 Broadway under the management of George Washburn, Vice-President of the firm.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Allen Q. Jossey-Bass is now affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Offering of $5,160,000 Northern Pacific Railway Equipment Trust of 1955, second series 3% serial equipment trust certificates, maturing annually June 16, 1956 to 1970, inclusive, is being made today (May 26) by a group headed by Halsey, Stuart & Co. Inc.

The certificates are offered at prices scaled to yield from 2.50% to 3.125%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $6,450,800; two diesel-electric freight locomotives; 21 diesel-electric road-switching locomotives, and 200 all steel box cars.

Other members of the offering group include: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Penn Dixie Cement Offers Capital Stock

Penn-Dixie Cement Corp. is offering its stockholders rights to subscribe for 361,282 shares of capital stock (par value $1) at $27.75 per share on the basis of one new share for each six shares held of record May 25, 1955. The offer, which expires at the close of business June 30, 1955 is being underwritten by Dominick & Dominick and associates.

The proceeds from the sale of this additional capital stock will be added to the company's corporate funds, with about $8,000,000 to be used to retire outstanding indebtedness to banks and the remainder to augment working capital.

Giving effect to the current financing, capitalization will consist of $550,000 in notes and 2,528,971 shares of capital stock, par $1.

Uranium Sec. Dealers Form Nat'l Group

The Uranium Security Dealers Association, a national organization, has been formed to act as a clearing house of information on uranium financing for the benefit of its members and to work out a code of fair practice and procedure to meet the approval of the Securities and Exchange Commission and State regulatory bodies.

Announcement was made by Walter F. Tellier, President of the new Association, which was formed as a result of a meeting of uranium security dealers at the offices of Gearhart & Otis, New York. The Association will be temporarily located at Tellier & Co., 1 Exchange Place, Jersey City, New Jersey. G. Everett Parks, Hunter Securities, and Herbert E. Teden, Teden & Co., Inc., are Vice-Presidents and A. Henry Fricke, Jr. of Tellier & Co., is Secretary and Treasurer.

The more than 60 dealers attending the organizational meeting included representatives from Denver, Colo. and Boston, Mass. Salt Lake City brokers sent a check to cover their initiation fees, which will be $100 per dealer.

The Association's funds will be used for three purposes: (1) Employment of a full time Secretary to serve the membership; (2) For legal counsel to represent the Association in its conferences with the SEC, and (3) For public relations. First task of legal counsel will be to set up the rules and regulations of the Association.

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Guaranteed Annual Wage—Blue Sky and Brass Tacks

stood, even after months of discussion.

The question is not whether General Motors and Ford, at the peak of fortune, with large reserves and good prospects, can afford to build up an unemployment compensation fund over the next five years.

The question is not whether unemployment compensation as now regulated is inadequate, or whether a supplementary fund is good.

The real question is whether America wants, and will support, a system which guarantees all members of one big union and later of others substantially full pay without work — a system which does not supplement, but substitutes, for our present methods.

It is the consumer, the average citizen, who must support such a plan, not the employer. The employer distributes the money — but it comes from the customer.

The crucial and critical points at issue in this great national debate escape the notice of the average good citizen, perhaps, as he thinks to himself: "What difference is there between so-many cents per hour as a wage increase and the same sum as a guarantee?" He may add, "The salaried people are guaranteed their pay, why not the hourly-rated worker?"

Of course, the salaried people aren't guaranteed their pay and the cents per hour for productive work are vastly different from the cents per hour for idleness—but the arguments for the guaranteed wage have a certain persuasive quality.

There is, in fact, a dreamy plausibility about the whole Guaranteed Annual Wage demand. Upon closer examination, it breaks down into a nightmare of economic doubletalk, leading to no certain conclusion except that we face a most radical proposal, full of uncertainties and imponderables, and distinctly threatening to the accepted standards of our free economy.

Stability is a good thing and a good objective—and we've got a lot of it. Stability of work and pay aren't things desired by factory workers alone—everybody wants them. Employers are in favor of stability of markets, of payrolls, employment, sales, trade relationships and the many factors of our day-to-day process of earning a living. Merchants want stability, so do teachers, professional people, and all the multitude of persons not engaged in factory life at all.

Management and representatives like me haven't done much of a job in keeping the public informed about the great amount of stability we already have. Compare the automobile industry of today with the same industry in prewar days and you will find a very constant and steady growth of stability. There it is; all one has to do is look at the record.

We allow ourselves to be dragged into a debate about a very small hole in a very big doughnut, much as we do whenever the matter of unemployment comes up. All over the country, people are roused by cries of disaster about a relatively small amount of unemployment, time and time again, when our employment stands at the highest point in history.

Now I don't believe we can get complete, or perfect, "stability." But striving to get more is not bad, it is perfectly normal.

Important Question Goes Beyond the Detroit Squabble

The debate over the UAW's demand obscures or avoids most of the really important questions and seems always to wind up with the question: "Will they strike GM and Ford, or will they settle?" That question, asked time and time again, seems to make the whole problem just another Detroit squabble . . . something of exciting interest, but not of major concern to the rest of the nation.

The important questions go far beyond Detroit, and beyond the automobile industry. What happens in Detroit this year may very well influence all other industries and our whole economy.

There has not been such an enormously important problem in labor relations since the great surge of industrial organization in the late 'thirties, and even the struggle over recognition was not nearly so complex and shrouded in overtones of determined, militant economic assault.

The UAW promotional publicity for the past two years on this demand represents the most implacable and intransigent position taken by a major union on any issue of modern times. The union declared very early, long before negotiations could begin, that there was no question of its getting the guaranteed wage—the only question was how.

Among hundreds of businessmen I've talked to about the GAW demand, during two years of studying, discussing, and debating the question, I have yet to find a man who does not feel that this threat is real, that it is backed by very militant determination to "get it, or else," and that the demand represents something which management cannot count the ultimate cost of, cannot measure, and cannot live with unless radical changes are forced in the fundamental structure, aims, practices, and policies which underlie the present-day competitive business structure.

The union demands that all employers accept a principle which says that the employer has a continuing, perpetual obligation to provide full pay for his employees even if he cannot provide any work at all. Further, the union demands joint management of this commitment, with a third party present to "break deadlocks."

I do not say that such a system simply won't work and can't happen. It can happen, and it can work—but it will work only under compulsions and controls which will break the American tradition of hope and confidence and risk-taking and steady progress.

I don't condemn the dreamer for dreaming. Life is worth living partly because of our dreams. The spirit of hope and ambition rests on our confidence that we can do better. Most Americans have that spirit.

I do dislike the attitude which says that if you disagree with me, you are a wretched person of little faith. The posturing, proud individual who must claim to have all the answers and always to have been right is ridden by some kind of compulsion that I just don't understand.

No man of spirit likes to be shackled to the status quo simply because it is the status quo. But there are a great many good citizens who have worlds of confidence and faith and yet who simply do not believe that you can lift yourself by your own bootstraps, or that we can have a good life without working for it.

The fact that many do not believe in these nostrums and will not buy the Blue Sky is no reason for them to be reviled by the man who does believe in them. That's no way to advance public education, really.

Nor is it easy to discuss matters like this with a man who says that he does not want pay without work, and adds that he insists on a full week's vacation pay for every two weeks worked. It is discouraging, and distressing, to try to reason with a man who says bluntly that he is prepared to get his demands "the hard way."

My time is limited here today, and I want to use it in reporting management opinion as I find it. I don't want to get lost in personalities, innuendo, name-calling, and the tossing of dead cats, even though I am supposed to be answering a recent talk to the National Press Club which was full of distortion and evasive generalities. It is difficult to pass them up, but I will ignore them all except one.

There is one repeated allegation by UAW-CIO which anyone can answer who cares to look back on the record. It is that management always opposes everything good, and the inference then is clear that GAW must be good because management opposes it.

Both parts of that argument are fallacious. Management has, it is true, opposed the unions many times in many places. Management, by and large, opposed the Wagner Act. After a run of some years, much of the Wagner Act was laid away, it seemed to me with majority approval.

Management was against the sit-down strikes. Who speaks of them now as being good and progressive?

Management, or at least part of it (as Walter Reuther said here recently) thought that the Reuther Plan, to make engines of war and automobiles at the same time with the same tools, was half-baked, impractical, and untimely. But management didn't have the power to decide—the plan was laid away by the government which, if you will recall, was hardly a businessman's government. Sure, management thought the plan was a dud, but so did an awful lot of other people. And when the time came to turn the factories to the production of war goods, we carted out acres and acres of tools and tore up the peace-time lines and remade the factories.

You don't have to be wrong, necessarily, to be opposed to something.

Management as a whole didn't oppose pensions — there were many pension plans in force in industry for years before the CIO. Some management people said that the forced following of "patterns" cut out for the largest and most successful companies would eventually hurt the smaller and marginal companies, but nobody paid much attention to that. You know what happened — not only some forty parts companies have disappeared from the industry but even some of the automobile companies themselves have been cut down.

And let's remember that not only managers have reservations about the GAW. The demand is not popular anywhere, really, except in the top offices of two or three CIO unions. It not only is not popular throughout the CIO itself, it isn't popular with the AFL and independent unions. The editors, writers, and economists who have studied the demand are for the most part skeptical and afraid of it. Even the UAW's advisory committee on economics isn't supporting the demand.

Now—honestly—what do you make of the argument that the GAW must be good because management, always in opposition, is against it?

To say that the business manager must be forced to seek stability is simply to ignore the facts, and to cast an unfair slur on all management. Management can, and does, do a great deal to level the peaks and valleys of unemployment. Unemployment compensation laws generally recognize this possibility, in allowing for what we call "experience rating" which permits the employer with more level or stable employment to get better treatment. But the unions, particularly the CIO unions, have railed against the idea that the employer could do something about it.

Odd, isn't it, that the unions which have been so bitter against the idea of letting the employer do his best to stabilize employment, under unemployment compensation rules, now revile him and ask that he be saddled with this very obligation?

Listen to what the CIO unions said in a conference held in Chicago in 1946:

"Although there are some measures which an employer can take to stabilize unemployment, economic forces beyond his control actually determine for the most part the stability of any business."

Now—I think the CIO was unduly pessimistic at that time about the ability of employers to improve stability, and is now chasing a will-o-the-wisp in its current claim that employers can level everything off just right if they only want to. The fact is that it is not a question which can be exactly determined. Some companies take too large a gamble and suffer for it, some are just right in their estimate of the market for their goods, some under-shoot the potential. That isn't bad, that is good. That element of risk-taking, or daring, or shooting for a better position, is what makes our American industry great.

The Management Viewpoint

Let's take up the management viewpoint, as I find it. I have never found management opinion as unified on any labor relations subject for twenty years, as it is on this question.

We have entered a new period, in the manufacturing world. For some years we lived in a period of subsidized war and defense work, and generally a sellers' market. During these years it was quite common for the major industrial unions to make a deal with the largest companies in each industry, then carry it intact to the smaller ones and insist that they "follow the pattern."

The smaller companies agreed during these years without much objection or resistance — in fact, it became common in the automotive industry for small companies to say that they would "do whatever GM did" and then wait for the package to be announced.

With the arrival of competitive conditions, and the buyers' market, this habit began to be very costly. Often the union made a tougher demand on the small and middle-sized companies than it had made on the largest ones—it had a sure thing, and made the most out of it. The result was that in some cases the small company found itself paying considerably more than the big one, in direct labor costs. And when you realize that in the automotive parts industry the major customer may be the automobile company, you can see what kind of problem was building.

Sure—as long as the manager could "pass it along," the increase in his costs was not ruinous. He passed it along and the next man passed along, and eventually the customer, either the private consumer or the government, paid the bill. Now that is ended, and we face the fact that you can't operate a competitive business and blindly follow a "pattern."

These are the brass tacks, you might say, of industrial life. Not blue sky, where everyone is protected by government subsidy and guaranteed pay without work, but the hard realities. We now face a major revision in labor contracts, all through American industry, without the easy "pass-along" of higher costs and higher prices.

The UAW says frankly, roughly, and repeatedly that its guaranteed wage demand is not for the strong and big, alone, but for everyone.

This hard, truculent attitude of the UAW is not a bluff, or a bit of union propaganda made solely to maintain solidarity. The union spokesmen mean what they say. For several years they've been preparing for a major assault on standards which the American economy has always considered fair and proper, and they will go to great effort to destroy those standards.

Briefly, here is one of the standards: A man who is working for a living should expect, and get, considerably more than a man who is not working for a living.

I may be in the minority, but I think I am with the majority, when I say that unemployment compensation should not be as great as working pay, or anywhere near it. I suspect that most of the people in this country feel that a man who is out of work and is getting a third or a half as much as he would be if working, is doing pretty well. I have the idea, and think that others have, that the guy out of a job needs some incentive to look for one.

Nor do I believe that the average American wants pay for not working. I think there is such a thing as pride in having a job, and pride in doing a good job, and that all of us are being insulted by the promoters of the GAW scheme, who would completely destroy that pride, that sense of fair exchange in a good job done for good pay.

Maybe I'm wrong. But the laws on unemployment compensation seem to follow this line of reason, too, and efforts in every state of the union to raise unemployment compensation up to near the level of working pay have failed time and time again.

Now comes a strong union with the admitted economic power to shut down the largest companies in a major industry, or even the entire industry, and says that it is going to get by muscle and economic force what it cannot get through the legislative process.

It seems to me that this is obviously a circumvention of public will, but the manufacturers can't stop it, either singly or jointly. Public opinion can. That's why it is important for everyone to examine the case thoroughly, and do his best to think out what is right, and fair, and which side he is on.

* * *

Believe me, industrial managements have left no source of information untapped, no experience unstudied, no combination of possibilities unexplored in its research into unemployment compensation, employment stabilization, and fair adjustment of the employee's problem.

Yet despite all of the careful study, and despite the fact that I am confident the manufacturers will be liberal and logical in their replies to the union in negotiations, I do not expect the management answers to satisfy the union negotiators. I believe the UAW leaders want a strike—a big strike—and a great and crushing "victory" by forceful, militant action.

Impact on Small Companies

I believe that the GAW demand, if forced upon industry, not only would close out many smaller companies, but eventually would force the largest ones into a monopoly, dependent upon government subsidy and government supervision. If you want monopoly, this is a quick and certain way to get it.

After a short run under a system of guaranteed full pay-without-work, it would become obvious that a formerly competitive, dynamic, and growth-seeking industry was obliged to become one of stagnant, standardized output and size, not daring to maintain even its present-day total of employment and afraid of expansion or risk-taking.

Where we now look for some five and a half to six million cars a year, we would be obliged to settle for a "safe" calculation, based on replacement and care-

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fully-hedged projections of population growth. We would need to produce one-twelfth of such a total each month, and have an allotment system for distribution.

The car buyer would lose quite a bit of his freedom of choice, of course, and his purchase timing would have to fit the overall scheme. There would never be enough cars in the spring, and when the car buyer finally got delivery as part of the allotment for some later month he might not be so eager for the car—but he would be counted on to accept it. If the year was one in which a company had missed its styling, or for some other reason did not have a car among the most wanted, its production nevertheless would have to be used and the car buyer might not get just the car he ordered.

* * *

There is still more to be anticipated. Under such a system there would be bidding up of prices in the first half of the year, much as we saw during the scarcity period after World War II, and reluctance to absorb the quota at year's end with new models coming. This would dislocate the market place, and I assume that an army of bureaucrats would be needed to administer and police the system.

But—it could be done, and that is the important thing to remember as we study the problem. It would result in a controlled, leveled-off caricature, but it could be done. In the name of stabilization, industry would be turned into something like the European cartel system.

Cartelization, in fact, is the word for it. I doubt that many of us would like it, but it is not impossible. It is simply the easy, deteriorating system of dividing up a sure market among a few producers, and keeping risk, enterprise, and growth to a minimum.

Inflation, of course, would follow in the train of such a program. Greatly increased costs would be certain, because the efficient and the inefficient, the good and the bad, all would be protected. With controlled volume and lowered scope, unit costs would necessarily rise. If, on the other hand, a company risked greater volume to meet demand, it also would have to carry a good many non-working employees if demand eased.

The rise in costs and prices, of course, would have to be met by the car buyer. Nothing more erroneous has been said than the union's statement that "the employer will foot the bill" for the guaranteed wage; he can't foot it. The consumer must pay, either as a purchaser of the goods or as a taxpayer—and the union has been frank to admit that its plan includes the utlimate "reinsurance" of risk by government, which is a fancy way of saying the taxpayer can pay for losses and failures.

Incentive would suffer, not only among employers but among employees. That pride of the older employees would hardly be sufficient to keep them steadily at work, I think, if they could see younger men getting full pay while idle. An obvious premium would be paid for finding ways to get laid off.

This is at least part of the future, as I see it, if the guaranteed wage demand is forced upon the automobile industry. I don't like it—but it does little good to say that such a thing is unthinkable. It is all too thinkable, you know—it can happen.

Automation

Now let me pay just a little attention to "automation."

It is said that "automation" is forcing these revolutionary demands. Some dreadful spectre seems necessary as part of the demand, and this is it. Now—to me, "automation" is the latest fancy term for something which has been going on forever. I call it mechanization. It is mostly good, not bad. It results in putting more and more horsepower into the hands of the individual, it brings about largescale production and lower unit costs.

It doesn't decrease jobs, it increases them. Look—in 1940, General Motors had 233,000 employees. "Automation," to use the stylish term, has been going on at GM as it has in industry everywhere. Now GM does not have 233,000 employees—it has 520,000 employees!

If you prefer to think of "automation" as specific, take a look at the dial telephone, or go and look at the automatic banks which translate your dial's commands. Do you know what happened to employment among telephone operators when this dreadful thing bloomed so fast? Since 1940 the number of operators had increased more than 80%.

Sure, we've got "automation" . . . we even have "electric brains" which are supposed to do away with bookkeepers and accountants. What has happened in that field is what you will find in any area of rapid modernization, expansion, and development — the number of accountants now is 75 to 80% higher than it was before the war.

* * *

It is too bad, really, that we have to go at these matters in such a spirit of fear and hate and fighting spirit. That seems to be the way, though, that the approach always is made by some of the unions. I noticed the other day that Mr. Eisenhower quoted Woodrow Wilson, when the cornerstone of the new union building here in Washington was laid, and it made pretty good sense to me.

What President Wilson said to organized labor was something like this: "If you come at me with doubled fist, my own fist will double."

That's true, you know. It is a natural reaction. And the UAW came at the automobile industry with doubled fist.

Nevertheless, some people tried to head off a fight over this issue. I am one of them—I proposed a plan for a supplemental unemployment compensation pool to the UAW more than a year ago, and distributed several thousand copies of the plan to management, union, and government people. It simply said that the union could get money from the employers as wage increases, recapture part of it in dues, and manage an unemployment compensation pool which would be free of the vast complexities and conflicts otherwise invited.

The union's reply to this was "Nonsense." Just one word.

Summary

Now—summing up, it seems to me that this UAW plan is illogical, unrealistic and poorly devised. If we had had such a thing earlier, I think that Nash, Hudson, Packard, Studebaker, and Chrysler would have carred an unnecessarily heavy burden in their come-back attempts. And one can recall a time when Ford, now healthy and strong, was not doing so well.

Unemployment compensation and employment stabilization should be studied constantly in the hope of improving our system; no one disputes that. But no one man or small group of men has the wisdom to plan and direct the lives of everyone, in a great burst of paternalistic fervor.

Further, tne use of muscle and crude, crass economic power to force one's objective when reason and persuasion fail is something to be condemned.

It would be good if we could decide these matters on their merits, with more reason and common sense and real concern for all America. I hope that it is not too late to do that, and that each of us can add something.

* * *

WHAT DO YOU THINK?—The subject of a Guaranteed Annual Wage, in the opinion of the "Chronicle," is one that merits the utmost consideration of every one interested in the objective of maintaining both employment and activity at the highest possible levels. Accordingly, the "Chronicle" will be pleased to accommodate in its columns any comments, regardless of attitude, toward the Guaranteed Annual Wage principle. Letters should be addressed to Editor, "Commercial and Financial Chronicle," 25 Park Place, New York 7, N. Y.

Continued from page 15

The United Auto Workers and The Guaranteed Annual Wage

promote year round employment for the autoworkers.

The reserve financing method on the other hand is generally so designed that a contribution rate of so much per man hour of employment will provide sufficient funds to meet the cost of payments to laid-off workers throughout the year. The funds would accumulate when layoffs were less than average and decumulate when layoffs were more than average, but over the course of the year and the business cycle the reserve fund would presumably be maintained at some adequate figure.

This is similar to any pension or annuity fund in which the payments over the average life span of the worker subsequent to retirement are supposed to equal the contributions to the fund plus interest over his working span. The cost of the guarantee is thus a set amount per hour but varies, of course, with total payroll. The heaviest charge on the firm would be during periods of rising or stable employment. The advantages of this method are that, one, it clearly limits the firm's liability to a known cents per hour contribution; and two, its allocates the majority of the cost to the period when the firm can best afford it. It thus provides the maximum in protection of the firm's solvency. However, it provides little or no incentive to stabilize, since the firm cannot avoid the charge by stabilizing employment, except by renegotiating the size of reserves and contribution rate.

The UAW has attempted to gain both advantages simultaneously (at least in principle) by proposing pay-as-you-go for current layoffs but only up to some maximum percentage of current payroll. An further layoffs are to be paid out of a reserve which has been accumulated and maintained by a contribution rate which together with the charge for current layoff cannot exceed the maximum liability charge. In attempting to get both advantages the UAW plan really is a compromise. What is gained in terms of pay-as-you-go incentive is lost in terms of reserve protection. The higher is the contribution rate (and the closer it is to the maximum) the more the plan will rely on reserve financing. The lower the contribution rate the higher the maximum liability rate will have to be in order to pay for the cost of any given amount of layoff, and the more will be the reliance on pay-as-you-go. It is thus impossible to have both the advantage of stabilization incentive which tends to focus the cost at point of layoff and the advantage of maximum protection of the firm's solvency, since they are not compatible goals.

The UAW has proposed a contribution rate of 4% to accumulate a reserve of 20% of the base payroll and a maximum liability of 8% of current payroll. The high rate of maximum liability suggests that the UAW wishes to emphasize the pay-as-you-go principle but with this rate it is doubtful that so large a reserve would really be necessary. These are original asking demands, however, and undoubtedly will be scaled down by negotiation.

The Question of Management Of GAW

Directly related to the financing method is the charge of management that the guaranteed annual wage will make labor fixed cost. The UAW argues that with its provision of maximum liability as a percentage of current payroll, labor is not a fixed charge but is "as variable as the payroll itself." It should be noted, however, that it is the maximum liability, and not the actual liability which varies directly with the payroll. On a pay-as-you-go system the costs begin to increase as the payroll decreases, i.e., as layoffs commence. The real question here is whether the firm assumes an obligation to pay currently for labor that is not used. As long as there is to be any pay-as-you-go financing, then some part of payroll cost must be thought of as a fixed cost, and will go to maintain current income of workers who are not used. Although the payroll cost will vary with the size of the employed labor force, it will not, of course, vary as much as would be the case in absence of the guaranteed annual wage or even as much as with a completely reserve financed plan.

A similar inconsistency arises in connection with management charges that the guaranteed annual wage will strangle the business firm. making its operations completely inflexible. The UAW argues "that the plan must neither prevent the movement of workers out of declining companies nor establish any roadblocks to the hiring of workers by expanding companies." In this regard they point to the provisions of graduation of benefits of one week benefit for each two weeks worked, indicating that the maximum cost of hiring an additional worker is less than the cost of overtime work. Moreover, the fact that workers have a maximum of 52 weeks of benefits and that they must be available for suitable work with other employers is also referred to.

The real question of flexibility here is concerned with the ease in terms of cost with which the firm can expand or contract its output and employment. The fact that it may be more profitable for a firm to increase its output by increasing its work week to include overtime pay under particular circumstances rather than hire additional workers has nothing to do with the question at issue. It is obviously more costly to hire additional workers on the basis of a guarantee of one week of potential layoff pay for each two worked than to hire them without such a guarantee.

Put in another way, it is much less costly to be able to reduce the payroll by layoffs without any financial obligation to the laid-off workers than if the firm has such obligations no matter how small they may be. It is nonsense to argue that the plan "can have no adverse effect on the flexibility of the economy" while simultaneously stating that "it merely presents certain potential cost factors for his [the employer's] consideration designed to assure that he neither hires nor lays off irresponsibly." The very premise of the UAW, that employers will be induced through costs and profit relationships resulting from pay-as-you-go financing to stabilize employment, necessarily results in less flexibility. One may argue that the employer or consumer or someone other than the workers should share the cost of flexibility, and this argument may be perfectly sound from the standpoint of equity. But that does not mean that transferring the cost of flexibility to the employer would not effect his ability to achieve it.

The Plan and Labor Mobility

Another conflict in the charges and defense of the UAW's proposals concerns the effect of the plan on the mobility of labor. Mobility, here, refers to the ease with which workers in a declining business tend to be shifted to an expanding business. The UAW argues that this plan will not "freeze" the workers to any firm or industry. But, simultaneously they argue that "faced with a possibility of having to pay idle workers, industry will move heaven and earth to find productive work for them." If the workers are laid off they must make themselves available for suitable work, suitability subject to review by the joint administrative board.

Experience under state unemployment compensation systems in industries which are seasonal in character, where workers are traditionally laid off for weeks each year raises doubts about the actual availability of these workers. Even with benefit payments of one-third normal pay many of these workers do not seek work. With a rate of benefit payment approximating normal take-home pay it seems doubtful that workers, until they have exhausted benefits, would be as mobile as before. If workers are not as freely laid off by declining firms, and if they are not as readily available for re-employment elsewhere, then mobility has been impaired. The mobility achieved in our economy in absence of a guaranteed annual wage may be undesirable from many standpoints. The price we pay to achieve it in human suffering and other ways may exceed the benefits of proper allocation of labor resources. Certainly, however, the UAW's plan would reduce the existing mobility of labor.

There are other inconsistencies in the arguments of the UAW, for example, the relative benefits to different groups of workers. The observation has been frequently made that the less senior workers gain the most from a guaranteed annual wage since they are the most likely to be laid off. The UAW has responded that even the senior workers are laid off when a plant is shut down. This is, of course, true, but it doesn't alter the point that the incidence of layoff is greater for the less senior worker and hence the benefits of guarantees much greater. In spite of their arguments to the contrary, the UAW has recognized the potentiality of reserve funds being exhausted by less senior workers during protracted periods of layoff and has recommended some provision to set aside or impound part of the funds to protect senior workers against possible layoff.

There is no question but that the UAW recognizes the impossibility of achieving all their goals simultaneously. An examination of the proposals of the UAW shows that they have been struggling with this impossibility and have had to compromise. As a result an objective position on the part of the union would be to admit the necessity of these compromises, but perhaps it is unrealistic to expect the principle of objectivity to prevail in discussions of this kind.

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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.

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.

★ Ambassador Hotel of New York, Inc.
May 19 filed 163,898 shares of common stock (par $1) to be offered for subscription by stockholders of record May 17, 1955, on basis of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—None.

American Asbestos Co., Ltd.
Feb. 17 (Regulation "D") 600,000 shares of common stock (par $1). **Price** — 50 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Maine Investment Co., Ltd.

★ American Gas & Electric Co.
May 20 filed 192,000 shares of common stock (par $5) to be offered for subscription by key employees of American Gas & Electric System pursuant to key employees' stock purchase plan.

• American Machine & Foundry Co. (6/8)
May 19 filed 237,641 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 Rare Metals Corp., N. Y.
May 11 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To repay debt and for general corporate purposes. **Underwriter**—Equity Securities Co., 11 Broadway, New York, N. Y.

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; rights to expire on June 27. Additional subscription privilege for unsubscribed shares, by stockholders and employees. **Price**—$5 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

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.

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.

★ Baltimore Gas & Electric Co. (6/8)
May 19 filed 645,856 shares of common stock (no par), of which 575,856 shares are to be offered for subscription by common stockholders of record on or about June 7 (for a 2-week period) on basis of one new share for each 10 shares held; and the remaining 70,000 shares to employees (excluding officers) up to and including July 6, 1955. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction expenditures. **Underwriter**—The First Boston Corp., New York.

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.

Bonnyville Oil & Refining Corp., Montreal, Can
April 29 filed $2,000,000 5% convertible notes due Jul 1, 1975 to be offered for subscription by common stock holders at rate of $100 of notes for each 100 shares o stock held. **Price**—95% of principal amount to stock holders and 100% to public. **Proceeds**—For developmen costs and general corporate purposes. **Underwriter**—None.

• Bridgeport Hydraulic Co. (6/13)
May 11 filed 55,000 shares of common stock (par $20 to be offered first for subscription by common stock holders of record on June 8, 1955 on the basis of on new share for each eight shares held; rights to expir on June 28. **Price** — To be supplied by amendmen **Proceeds**—To repay bank loans and for property addi tions and improvements. **Underwriter**—Smith, Ramsa & Co.; Chas. W. Scranton & Co.; G. H. Walker & Co Hincks Bros. & Co., Inc.; and T. L. Watson & Co., all o Bridgeport, Conn.

• Brown Co., Berlin, N. H.
March 17 filed $14,217,100 of debentures due May 1 1975, and 142,171 shares of common stock (par $1) bein offered for subscription by holders of "called" $5 cumu lative convertible first preference stock who have no surrendered their shares for redemption or conversio into common stock. These holders may subscribe fo $100 of debentures and one share of common stock fo each $5 preference share held. **Price** — $100 per unit **Proceeds**—For redemption of $5 preference stock. **Underwriter**—None. Statement effective May 18.

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NEW ISSUE CALENDAR

May 26 (Thursday)
Missouri Pacific RR.______Equip. Trust Ctfs.
(Bids noon EDT) $2,925,000

May 31 (Tuesday)
Cuba (Republic of)______Bonds
(Allen & Co.) $2,500,000
Duraloy Co.______Common
(Mortimer B. Burnside & Co., Inc.) 60,000 shares
Kurman Electric Co., Inc.______Common
(John R. Boland & Co., Inc.) $300,000

June 1 (Wednesday)
General Precision Instrument Corp.______Preferred
(The First Boston Corp. and Tucker, Anthony & Co.) 100,000 shares
Hawk Lake Uranium Corp.______Common
(Dobbs & Co.) $300,000
International Breweries, Inc.______Common
(Shields & Co.) 500,000 shares
Peruvian Oils & Minerals, Ltd.______Common
(Doolittle & Co. and Davidson Securities, Ltd.) 225,000 shares
Robinson Aviation, Inc.______Common
(Homer O'Connell & Co., Inc.) $650,000
Texas Industries, Inc.______Debentures
(Kidder, Peabody & Co.; Rauscher, Pierce & Co. and Russ & Co.) $6,000,000

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

June 3 (Friday)
Colohoma Uranium, Inc.______Common
(General Investing Corp. and Shaiman & Co.) $1,250,000
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)
Cosmopolitan Life Insurance Co. of Memphis, Tenn.______Common
(Allen & Co.) 162,080 shares
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
Central Illinois Electric & Gas Co.______Bonds
(Bids 10:30 a.m. CDT) $4,000,000
Signode Steel Strapping Co.______Common
(White, Weld & Co.; Lehman Brothers; and McCormick & Co.) 160,000 shares
Silver Creek Precision Corp.______Debentures
(General Investing Corp.) $600,000
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.) 237,641 shares
Baltimore Gas & Electric Co.______Common
(Offering to stockholders—underwritten by The First Boston Corp.) 575,856 shares
Friden Calculating Machine Co., Inc.______Common
(Dean Witter & Co.) 78,400 shares
United Gas Corp.______Common
(Offering to stockholders of Electric Bond & Share Co. —no underwriting) 525,036 shares
Western Nebraska Oil & Uranium Co., Inc.______Com.
(Israel & Co.) $300,000

June 9 (Thursday)
Merchants National Bank of Boston______Common
(Offering to stockholders—underwritten by The First Boston Corp.) $2,000,000
Southeastern Public Service Co.______Common
(Offering to stockholders—underwritten by Bioren & Co.) 100,000 shares

June 10 (Friday)
Kansas City Power & Light Co.______Common
(Offering to stockholders—underwritten by The First Boston Corp. and Blyth & Co., Inc.) 245,000 shares

June 13 (Monday)
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
Mueller Brass Co.______Debentures
(Lehman Brothers) $5,000,000

June 14 (Tuesday)
National Telefilm Associates, Inc.______Common
(Charles Plohn & Co.) $1,562,500

June 15 (Wednesday)
Colorado Sports Racing Association______Common
(General Investing Corp.) $600,000
Evans Products Co.______Debentures
(Bear, Stearns & Co.) $3,500,000
Hackensack Water Co.______Debentures
(Bids to be invited) $8,000,000
International Hardware Mfg. Co., Inc.
Debentures & Common
(Milton D. Blauner & Co., Inc.; Hallowell, Sulzberger & Co.; and Baruch Brothers & Co., Inc.) $1,500,000 debentures and 215,000 shares of stock
New Haven Water Co.______Common
(Offering to stockholders—no underwriting) $2,040,000

June 20 (Monday)
Pioneer Natural Gas Co.______Common
(Union Securities Corp.) 770,000 shares

June 21 (Tuesday)
Southern New England Telephone Co.______Debens.
(Bids to be invited) $20,000,000

July 12 (Tuesday)
Illinois Bell Telephone Co.______Bonds
(Bids to be invited) $30,000,000

September 13 (Tuesday)
Utah Power & Light Co.______Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co.______Common
(Bids to be invited) 177,500 shares

November 9 (Wednesday)
Southern Co.______Common
(Bids to be invited) 500,000 shares

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★ Cal-Cobra Oil Corp., Gardena, Calif.
April 9 (letter of notification) 800 shares of capital stock (no par). **Price**—$25 per share. **Proceeds**—For expenses incident to oil activities. **Offices**—1522 East 145th St., Gardena, Calif. **Underwriter** — None, but Herbert T. Grubb, President will handle sales.

★ California Texas Oil Co., Ltd. (N. Y.)
May 23 filed $3,000,000 of participations in the Employees Savings Plan to be offered to eligible employees of the company and certain other participating companies.

● 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.

★ Carbon Uranium Co. (Utah)
April 27 (letter of notification) 746,280 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining costs. **Underwriter**—J. E. Call & Co., Salt Lake City, Utah.

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.

★ Coffee Time Products of America, Inc.
May 9 (letter of notification) 165,500 shares of class A common stock (par $1), to be offered in exchange for stock of American Dry Ginger Ale Co., Inc., on basis of one share of Coffee Time stock for each American Dry share. **Underwriter** — None. **Office**—47 Lemartine St., Boston, Mass.

● Colohoma Uranium, Inc., Montrose, Colo. (6/[illegible])
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 (6/15)
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.

★ Colzona Oil & Uranium Corp., Denver, Colo.
April 29 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1300 Larimer St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ Community Television Corp., Grand Forks, N. D.
April 25 (letter of notification) 2,500 shares of class A preferred stock. **Price**—At par. **Proceeds**—For working capital, etc. **Underwriter**—None.

Confidential Finance Corp., Omaha, Neb
March 11 (letter of notification) 150,000 shares of 7% cumulative preferred stock (par 95 cents) and 1[illegible],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**—$31 per share. **Proceeds**—To repay bank loans and to purchase securities from or make loans to company's subsidiaries for use for the 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.

Cooperative Grange League Federation Exchange, Inc.
May 4 filed 10,000 shares of 5% cumulative preferred stock (par $100) to be offered to farmer and non-farmer patrons of the Federation Exchange and others who desire to become stockholders, and 200,000 shares of common stock (par $5) to be offered only to present members of Federation Exchange and to farmers interested in becoming members. **Price**—At par. **Proceeds**—To retire class B common stock, redeem 5% cumulative preferred stock of G.L.F. Holding Corp., and to provide funds necessary to redeem outstanding 4% cumulative preferred stock and common stock and Holding corporation's 4% cumulative preferred stock whenever such shares are presented for redemption; any funds remaining to be added to working capital. **Underwriter**—None.

● Cosmopolitan Life Insurance Co. of Memphis, Tenn. (6/6-7)
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) (5/31-6/2)
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.

Devon-Leduc Oils, Ltd., Winnipeg, Canada
March 31 filed warrants for the purchase of 200,000 shares of capital stock (par 25 cents—Canadian) at $1.50 per share and 200,000 shares of such stock. **Price** — At the market price prevailing at the time of the sale of the warrants. **Proceeds** — For general corporate purposes. **Underwriter** — American Securities Corp., New York. No public offering contemplated at this time.

Devonian Gas & Oil Co., Renovo, Pa.
March 1 (letter of notification) 500,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—25 cents per share. **Proceeds**—For drilling operations and working capital. **Office**—704 Erie Ave., Renovo, Pa. **Underwriter**—None.

Duraloy Co., Scottdale, Pa. (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.

Dyno Mines, Ltd., Toronto, Canada.
March 25 filed 1,100,000 shares of common stock (par $1). **Price**—To be related to the current market price on the Toronto Stock Exchange. **Proceeds**—To American Trading Co. Ltd., the selling stockholder. **Underwriter**—R. W. Brown Ltd., Toronto, Canada, on a "best-efforts basis."

East Texas Loan & Investment Co.
Jan. 20 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For working capital. **Office**—203 East Cotton St., Longview, Tex. **Underwriter**—D. G. Carter Investment Co., same address.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Elk Mountain Uranium Corp.
March 18 (letter of notification) 12,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—c/o The Corporation Trust Co. of Nevada, 206 No. Virginia St., Reno, Nev. **Underwriter**—Coombs & Co., of Washington, D. C.

★ Evans Products Co. (6/15)
May 20 filed $3,500,000 of convertible subordinate debentures due May 1, 1975. **Price** — To be supplied by amendment. **Proceeds** — To retire bank loans and for expansion program. **Underwriter**—Bear, Stearns & Co., New York.

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.

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.

★ Fifteen Oil Co. (6/15)
May 25 filed 200,000 shares of common stock (par $1) of which 175,000 shares are to be sold for account of company and 25,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expenses incident to oil activities. **Underwriters**—White, Weld & Co., New York, and Rotan, Mosle, Inc., Galveston, Tex.

Florida Home Insurance Co., Miami, Fla.
March 14 (letter of notification) 3,000 shares of common stock (par $10). **Price**—$24 per share. **Proceeds**—To increase capital and surplus. **Office**—7120 Biscayne Blvd., Miami, Fla. **Underwriter**—None.

Florida Power Corp.
April 14 (letter of notification) 232,557 shares of common stock (par $7.50) being offered for subscription by common stockholders of record May 11 on a 1-for-10 basis; rights to expire on May 31. **Price**—$43 per share. **Proceeds** — For construction program. **Underwriters** — Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane.

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.

★ Fowler Telephone Co., Pella, Ia.
May 6 (letter of notification) $260,000 of 4% first mortgage bonds, series A, due May 1, 1975. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To retire existing debt, acquire Northwestern Bell properties in Leighton, Ia., and for conversion of both exchanges to dial operation. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

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.

★ Friden Calculating Machine Co., Inc. (6/8-9)
May 18 filed 78,400 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — San Leandro, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Gair (Robert) Co., Inc.
March 28 (letter of notification) 2,306 shares of preferred stock (par $100) being offered in exchange for 1,237 shares of first preferred stock (par $100) and 1,069 shares of second preferred stock (par $100) of Great Southern Box Co., Inc. on a share-for-share basis; offer to expire May 16. **Underwriter**—None.

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 on or about July 16; and for working capital. **Underwriters** — The First Boston Corp. and Tucker, Anthony & Co., both of New York.

★ Gold Shares, Inc., Los Angeles, Calif.
May 9 (letter of notification) 2,900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For mining expenses. **Office** — 2623 Hyperion Ave., Los Angeles, Calif. **Underwriter**—None.

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.

★ Great Western Metal Corp., Las Vegas, Nev.
May 2 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office** — 43 Sierra St., Reno, Nev. **Underwriter**—None.

● Hackensack Water Co., Weehawken, N. J. (6/15)
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). **Bids**—Expected June 15.

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 being offered for subscription by common stockholders of record May 24 on a 1-for-5 basis; rights to

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expire on June 21. **Price**—At par ($20 per share). **Proceeds**—For working capital to finance carrying of increased inventories. **Office**—287 Homestead Ave., Hartford, Conn. **Underwriters**—None.

● Hawk Lake Uranium Corp. (6/1-2)
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.

Heliogen Products, Inc.
March 7 (letter of notification) 22,670 shares of common stock (par $1), of which 12,670 shares are being offered for subscription by stockholders up to and including June 15, 1955, and 10,000 shares are to be offered publicly. **Price**—$5 per share. **Proceeds**—For working capital, etc. **Office**—35-10 Astoria Blvd., Long Island City, N. Y. **Underwriter**—Smith & Co., Waterville, Me.

High Pressure Equipment Co., Inc., Erie, Pa.
April 8 (letter of notification) 26,000 shares of common stock (par $1). **Price** — $2.25 per share. **Proceeds**—To repay short-term loans, and for new equipment and working capital. **Office**—1222 Linden Avenue, Erie, Pa. **Underwriter**—Reitzell, Reed & Co., Erie, Pa.

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.

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 Mfg. Co., Inc. (6/15)
May 12 (amendment) $1,500,000 of 5% debentures due 1975 and 300,000 shares of common stock (par 50 cents), of which 85,000 shares are to be sold to Seymour and Bernard Offerman at $5 per share. **Price**—To be supplied by amendment. **Proceeds**—To purchase Hugh H. Eby Co. and Wirt Co. **Underwriters**—Milton D. Blauner & Co., Inc., New York; Hallowell, Sulzberger & Co., Philadelphia; and Baruch Brothers & Co., Inc., New York.

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.

★ International Glass Corp., Southgate, Calif.
May 10 (letter of notification) approximately 55,000 shares of common stock (par $1). **Price** — At market. **Proceeds** — To selling stockholders. **Underwriter** — Francis I. duPont & Co., Los Angeles, Calif.

★ Investment Trust of Boston, Boston, Mass.
May 23 filed (by amendment) an additional 200,000 shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment.

Iowa Public Service Co.
April 20 filed 270,220 shares of common stock (par $5) being offered for subscription by common stockholders of record May 11, 1955 at rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on June 1. **Price** — $15.50 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None.

Israel Pecan Plantations, Ltd.
Feb. 28 filed 24,900 shares of ordinary common stock (par one Israeli pound). **Price**—$10 per share. **Proceeds**—For capital expenditures. **Underwriter**—None. **Offices**—Natanya, Israel, and New York, N. Y.

Jarmon Properties & Oil Development Corp.
Jan. 17 (letter of notification) 30,000 shares of captal stock. **Price**—At par ($10 per share). **Proceeds**—For further exploration and development. **Addres**—P. O. Box 1109, Wichita Falls, Tex. **Underwriter**—John A. Aicholtz & Associates, 505 Macon St., Fort Worth, Tex., and another.

★ Jerrold Electronics Corp. (Pa.)
May 19 filed $2,750,000 of 6% convertible subordinated debentures due June 1, 1975. **Price**—100% and accrued interest. **Proceeds**—To repay $450,000 of 4% promissory notes and for general corporate purposes and working capital. **Underwriters**—Van Alstyne, Noel & Co., New York; and Butcher & Sherrerd, Philadelphia, Pa. **Offering**—Not expected until latter part of June.

★ Jerrold Electronics Corp. (Pa.)
May 19 filed 200,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds** — For working capital and general corporate purposes. **Underwriters**—Van Alstyne, Noel & Co., New York; and Butcher & Sherrerd, Philadelphia, Pa. **Offering**—Not expected until latter part of June.

★ Jewel Tea Co., Inc.
May 6 (letter of notification) 5,555 shares of common stock (par $1) to be offered to employees under stock purchase plan. **Price** — $2 per share under the closing price on the New York Stock Exchange on the day before application to purchase stock is accepted. **Proceeds**—For working capital and general corporate purposes. **Office**—1955 West North Ave., Melrose Park, Ill. **Underwriter**—None.

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.

★ Kansas City Power & Light Co. (6/10)
May 23 filed 245,000 shares of common stock (no par) to be offered for subscription by common stockholders of record June 9, 1955 on the basis of one new share for each 10 shares held; rights to expire on June 27, 1955. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

King Oil Co., Salt Lake City, Utah
March 31 (letter of notification) 260,000 shares of capital stock to be offered for subscription by stockholders. **Price**—50 cents per share. **Proceeds**—For development and drilling expenses and other corporate purposes. **Office** — 28 West Second South, Salt Lake City, Utah. **Underwriter**—None.

Knapp Uranium & Development Co.
April 21 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—2174 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., same city.

● Kurman Electric Co., Inc. (5/31-6/3)
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. **Offering**—Expected next week.

★ La Sal Uranium Corp., Salt Lake City, Utah
May 11 (letter of notification) 2,850,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—209 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Amos C. Sudler & Co., Denver, Colo.

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.

★ M J M & M Oil Co., San Francisco, Calif.
May 10 (letter of notification) 397,849 shares of capital stock (par 10 cents) to be offered for subscription by stockholders. **Price**—50 cents per share. **Proceeds**—To repay bank loans and for working capital. **Office**—155 Sansome St., San Francisco, Calif. **Underwriter**—None.

★ Magna Theatre Corp., New York
May 23 filed 122,300 shares of common stock (par five cents), 6,000 outstanding warrants for the purchase of 439,800 shares of common stock (as well as the common stock), and 6,000 outstanding units of "Oklahoma" participation certificates (each certificate entitling the holder to receive 1/6,000th of 5/12ths of Magna's percentage of profits due from the distribution of "Oklahoma." **Proceeds**—To present holders, including Kuhn, Loeb & Co.; United California Theatres, Inc.; Harris, Upham & Co.; Prudential Theatres, Inc.; Carl M. Loeb, Rhoades & Co.; Brown Brothers Harriman & Co.; and United Artists Theatre Circuit, Inc.

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.

McIntosh Laboratory, Inc.
May 3 (letter of notification) 1,000 shares of common stock (par $10). **Price**—$18.50 per share. **Proceeds**—For working capital. **Office**—320 Water St., Binghamton, N. Y. **Underwriter**—None.

Mechling (A. L.) Barge Lines, Inc., Joliet, Ill.
March 31 filed $837,252 of instalment note certificates to be offered in exchange for the 3,578 shares of authorized and issued common stock of Marine Transit Co. at rate of $234 per share. The balance of $1 of a total purchase offer price of $235 per share is to be paid in cash. The exchange will be contingent upon acceptance of the offer by holders of not less than 81% of the Marine Transit shares. Statement effective May 11.

Mehadrin Plantations, Inc., New York
April 28 filed 70,000 shares of common stock (par $10). **Price**—$10.75 per share. **Proceeds**—For acquisition of additional groves and working capital and other general corporate purposes. **Business**—Production and sale of citrus fruits in State of Israel; also plans to grow subtropical fruits. **Underwriter**—None.

Midwestern United Life Insurance Co.
April 14 (letter of notification) 75,000 shares of common stock to be offered for subscription by stockholders on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For capital and surplus. **Office**—229 West Berry St., Fort Wayne, Ind. **Underwriter**—None.

Millsap Oil & Gas Co., Siloam Springs, Ark.
March 17 (letter of notification) 599,200 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For oil and gas activities. **Office**—518 Main St., Siloam Springs, Ark. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

Monarch Uranium Co., Salt Lake City, Utah
March 28 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., same city.

Morrell (John) & Co., Ottumwa, Iowa
March 31 (letter of notification) 16,000 shares of capital stock (no par) to be offered in exchange for a like number of shares of John J. Felin Co., Inc., plus a cash payment. **Underwriter**—None.

★ Mueller Brass Co. (6/13-14)
May 23 filed $5,000,000 of convertible subordinated debentures due June 1, 1975. **Price** — To be supplied by amendment. **Proceeds**—For expansion. **Underwriter**—Lehman Brothers, New York.

Multi-Minerals Corp., Salt Lake City, Utah
May 5 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For payment on uranium claims and for exploration and other costs. **Underwriter**—M. Raymond & Co., Inc., New York.

National Credit Corp., Phoenix, Ariz.
May 6 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ National Light & Pump Co., Denver, Colo.
April 29 (letter of notification) 2,000 shares of 7% cumulative preferred stock (par $100) and 12,000 shares of comomn stock (par $1)to be offered in units of four shares of preferred stock and 25 shares of common stock. **Price**—$500 per unit. **Proceeds**—To broaden distribution markets and for working capital. **Office**—Wazee St., Denver, Colo. **Underwriter**—None.

★ National Telefilm Associates, Inc., New York (6/14-15)
May 19 filed 375,000 shares of common stock (par 10 cents), of which 312,500 shares are to be offered publicly and 62,500 shares issued in exchange for outstanding securities of Ely Landau, Inc. **Price**—$5 per share. **Proceeds**—For payment of loan, working capital and other corporate purposes. **Underwriter**—Charles Plohn & Co., New York.

New Bristol Oils., Ltd., Toronto, Canada
April 11 filed 2,400,000 shares of common stock (par $1), of which 1,600,000 shares were issued to Newton-Conroe Oil Corp. and 800,000 shares to The Phoenix-Campbell Corp., in exchange for properties. Newton-Conroe is distributing its stock to its stockholders in a liquidation. As holder of 51% of the Newton-Conroe stock, Phoenix-Campbell will receive about 800,000 shares which it proposes to offer to the public, together with the 800,000 shares received directly from New Bristol Oils. **Price**—

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At market. **Proceeds**—To selling stockholder. **Underwriter**—None, the distributing stockholders having undertaken to market their holdings directly.

★ New Era Metals, Inc., Steamboat Springs, Colo.
April 29 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Office**—414 Oak St., Steamboat Springs, Colo. **Underwriter** — Justice B. Detwiler, 517 Empire Bldg., 430 16th St., Denver, Colo.

New Haven Water Co. (6/15)
May 17 filed 40,000 shares of capital stock (par $50) to be offered for subscription by stockholders of record June 15, 1955 on basis of two new shares for each seven shares held. **Price**—$51 per share. **Proceeds**—To repay bank loans and for new construction. **Office** — New Haven, Conn. **Underwriter**—None.

★ Newmex Uranium & Development Corp.
May 2 (letter of notification) 8,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—El Rancho Hotel, Gallup, N. M. **Underwriter** — Rocky Mountain Securities, Salt Lake City, Utah.

★ North Carolina Telephone Co., Matthews, N. C.
May 10 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase outstanding stock of Anson Telephone & Telegraph Co., for new construction and working capital. **Address**—P. O. Box 38, Matthews, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.; McCarley & Co., Asheville, N. C.

North Penn Gas Co., Port Allegany, Pa.
April 29 filed 419,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To John Fox of Boston, Mass., who is the selling stockholder. **Underwriter**—To be named later (may be Eastman, Dillon & Co. and Allen & Co., both of New York).

North Pittsburgh Telephone Co.
May 5 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders. **Price**—At par ($25 per share). **Proceeds**—To reduce bank loans. **Office**—Gibsonia, Pa. **Underwriter**—None.

★ Oklahoma Gas & Electric Co. (6/21)
May 23 filed $15,000,000 of first mortgage bonds due June 1, 1985. **Proceeds** — To repay bank loans and for new construction. **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. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 21 at The Chase Manhattan Bank, 15 Broad St., New York 15, N. Y.

Old Faithful Uranium, Inc., Casper, Wyo.
April 22 (letter of notification) 4,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—300 Consolidated Royalty Bldg., Casper, Wyo. **Underwriter**—E. L. Aaron & Co., New York.

● Penn-Dixie Cement Corp.
May 6 filed 361,282 shares of capital stock (par $1) being 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**—$27.75 per share. **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.

★ Personal Industrial Bankers, Inc., Washington, D. C.
May 23 filed 60,000 shares of $1.40 prior preferred stock ($18 stated value) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price** — To be supplied by amendment. **Proceeds**—For working capital to be used primarily to increase receivables or for the acquisition of additional assets from others, or both. **Underwriter** — Johnston, Lemon & Co., Washington, D. C.

● Peruvian Oils & Minerals, Ltd. (6/1)
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. **Office** — Toronto, Canada. **Underwriters** — Doolittle & Co., Buffalo, N. Y. and Davidson Securities, Ltd., Toronto, Canada.

Philadelphia Daily News, Inc.
Feb. 24 (letter of notification) 50,000 shares of common stock (par $1) to be offered for subscription by stockholders of record March 24. **Price**—$6 per share. **Proceeds**—For modernization and improvements. **Office**—22nd and Arch Streets, Philadelphia, Pa. **Underwriter**—None.

Pioneer Mortgage & Development Corp.
April 27 filed 300,000 shares of common stock (par $1), with warrants attached entitling the holder to purchase one additional share at prices ranging from $13 to $20 depending upon the exercise date. **Price**—$10 per share "as a speculation." **Proceeds**—For working capital and general corporate purposes. **Office**—Houston, Tex. **Underwriter**—None.

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.
May 2 filed 511,660 shares of common stock (par $10) being 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** — $19.50 per share. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

★ Potomac Electric Power Co.
May 24 filed $1,000,000 of Potomac Plans for the Systematic Accumulation of Common stock of the company. Issuer—Capital Reserve Corp., 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.

★ Primary Minerals Corp., San Francisco, Calif.
May 24 filed 1,400,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition of mining equipment and other mining expenses. **Underwriter**—General Investing Corp., New York.

★ Prudential Discount Corp., Dallas, Tex.
May 9 (letter of notification) 17,904 shares of 7% cumulative preferred stock (no par) and 17,904 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—To purchase outstanding voting common stock of General Finance Co. of Texas. **Office**—943 National City Bldg., Dallas, Texas. **Underwriter**—None.

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
May 4 filed 413,016 shares of common stock (par $5) being offered for subscription by common stockholders of record as of May 24 on the basis of one new share for each six shares held; rights to expire on June 7. Employees to be offered right to subscribe for up to 10,000 unsubscribed shares. **Price**—$16.75 per share. **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.

● 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 early in 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. **Offering**—Expected early in June.

★ Rambec Exploration Corp., Las Vegas, Nev.
May 5 (letter of notification) 1,180,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—230 S. Fifth St., Las Vegas, Nev. **Underwriter**—None.

Revere Realty, Inc., Cincinnati, Ohio
March 8 filed $1,000,000 of 5½% cumulative convertible debentures due Jan. 1, 1980 and 25,000 shares of common stock (no par). **Price**—Par for debentures and $100 per share for stock. **Proceeds** — To purchase real estate or interest therein. **Underwriter**—Stanley Cooper Co., Inc., Cincinnati, O.

● Robinson Aviation, Inc. (6/1-7)
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. **Office**—Teterboro, N. J. **Underwriter**—Homer O'Connell & Co., Inc., New York.

★ Saint Anne's Oil Production Co.
May 9 (letter of notification) 20,000 shares of common stock (par $1) to be first offered to stockholders. **Price**—$6.25 per share. **Proceeds** — For oil and mineral and related activities. **Office**—Northwood, Iowa. **Underwriter**—None.

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.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. Proceeds—For development and exploration expenses, etc. Underwriters—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining operations. **Office** — Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

San Rafael Uranium Co. of Maryland
March 4 (letter of notification) 15,000,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Lewellen-Bybee Co., Washington, D. C.

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.

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.

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.

★ Signode Steel Strapping Co. (6/7-8)
May 18 filed 160,000 shares of common stock (par $1), of which 100,000 shares are to be sold for account of company and 60,000 shares for account of certain stockholders. **Price**—To be related to current market price of outstanding stock immediately prior to offering. **Proceeds**—For additional plant facilities and working capital. **Underwriters** — White, Weld & Co., and Lehman Brothers, both of New York; and McCormick & Co., Chicago, Ill.

● Silver Creek Precision Corp. (6/7)
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.

★ Southeastern Public Service Co., New York (6/9)
May 20 filed 100,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders of record June 8 on the basis of one new share for each eight shares held. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes, including investments in subsidiaries. **Underwriter** — Bioren & Co., Philadelphia, Pa.

● Southern California Edison Co.
April 19 filed a maximum of $40,950,600 of convertible debentures due July 15, 1970, being offered for subscription by holders of original preferred and common

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stock on the basis of $5 of debentures for each share of stock held as of record May 17, 1955; rights to expire on June 14. **Price**—At principal amount. **Proceeds**—To retire short term bank loans and for new construction. **Underwriter**—None.

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.

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.

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.

★ Sunburst Uranium Corp.
May 12 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Offices**—Terminal Bldg., Portland, Ore., and Reno National Bank Bldg., Reno, Nev. **Underwriter**—None.

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.

★ Tarrant Royalties, Inc., Forth Worth, Texas
May 6 (letter of notification) 37,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil, gas and other mineral activities. **Office** — 3515 West Vickery Bldg., Fort Worth, Tex. **Underwriter**—None.

★ Tasha Oil & Uranium Co., Denver, Colo.
May 11 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—1890 S. Pearl St., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

★ Technical Charts, Inc.
May 6 (letter of notification) an aggregate of $29,500 book value of class B stock to be offered for subscription by employees. **Proceeds**—For working capital. **Office**—189 Van Rensselaer St., Buffalo 10, N. Y. **Underwriter**—None.

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.

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**—430 Social Hall Avenue, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same city.

★ U-Kan Uranium & Oil Co., Salt Lake City, Utah
May 5 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — Judge Bldg., Salt Lake City, Utah. **Underwriter** — Northern Securities, Inc., Seattle, Wash.

★ U-NEV Uranium Corp., Salt Lake City, Utah
April 29 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (par two cents). **Proceeds**—For mining expenses. **Office**—954 East First South St., Salt Lake City, Utah. **Underwriter**—Columbia Securities Co., Denver, Colo., and Salt Lake City, Utah.

Union Club, Inc., Hollywood, Calif.
March 1 filed 30,000 shares of preferred stock (par $50) and 100,000 shares of common stock (par $10) to be offered in units of three preferred and 10 common shares. **Price**—$400 per unit. **Proceeds**—For purchase of property, construction of hotel, athletic and health facilities, and working capital. **Underwriter**—None, but sales will be made through agents.

Union Uranium Co., Denver, Colo.
March 2 (letter of notification) 10,650,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office** — 230 East 19th Ave., Denver, Colo. **Underwriter**—J. W. Hicks & Co., same city.

★ United Air Lines, Inc.
May 23 filed 148,350 shares of common stock (par $10) to be offered for subscription under the company's Employees' Stock Purchase Plan.

● 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**—None.

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. **Office**—510 Farmers Union Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., Denver, Colo.

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. **Underwrtier**—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.

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. (6/8)
April 4 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development costs and working capital. **Office**—924 Broadway, Denver, Colo. **Underwriter**—Israel & Co., New York.

Wilrich Petroleum, Ltd., Toronto, Canada
March 24 filed 2,000,000 shares of capital stock (par $1), of which 1,000,000 shares are to be issued in payment for certain properties to be acquired from American Trading Co., Ltd. who will purchase the remaining 1,000,000 shares for $455,000. **Proceeds**—For exploration and development costs and working capital. **Office**—611-850 West Hastings St., Vancouver, B. C., Canada. **Underwriter**—None.

Wind River Uranium Co., Salt Lake City, Utah
Feb. 25 (letter of notification) 26,750,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—Suite 201, 65 East 4th South, Salt Lake City, Utah. **Underwriter**—Guss and Mednick Co., same city.

● Wisconsin Power & Light Co.
May 4 filed 263,140 shares of common stock (par $10) being 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**—$25 per share. **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.
May 4 filed 30,000 shares of new cumulative preferred stock (par $100) being first offered for subscription by preferred stockholders of record May 16 and employees of company; rights to expire on June 7. **Price**—$102.75 per share, plus accrued dividends. **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.

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.

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.

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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.

★ **Bogue Electric Mfg. Co., Paterson, N. J.**
May 19 it was reported that this company plans early registration of $2,000,000 convertible debentures and approximately $5,000,000 of common stock. **Business**—Manufactures electrical rotating equipment. **Underwriter**—Blair & Co. Incorporated, 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.

★ **Central Telephone Co., Lincoln, Neb.**
May 11 it was announced stockholders will vote June 1 on increasing the authorized common stock from 700,000 shares to 850,000 shares and on creating an authorized issue of 20,000 shares of preferred stock. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston and New York; and Loewi & Co., Milwaukee, Wis.

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 $125,000,0000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp and Glore, Forgan & Co.

● **Consolidated Edison Co. of New York, Inc.**
May 23 it was reported company is expected to do some financing in the Fall, the form and amount to be determined later. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

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.

● **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. **Meeting**—Stockholders vote June 7 on increasing capitalization.

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.**
May 19 it was reported company plans early registration of 87,500 shares of 6% convertible preferred stock (par $10). **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● **Gulf States Utilities Co.**
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Registration**—Expected in June. **Bids**—Expected in July.

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.

★ **Hertz Corp., Chicago, Ill.**
May 24 it was announced the directors have approved plans for the early registration of an issue of $5,000,000 of convertible subordinate debentures. **Proceeds** — To provide working capital for expanded operations. **Underwriters**—Lehman Brothers and Hornblower & Weeks, both of New York.

★ **Housatonic Public Service Corp.**
May 23 it was reported company plans to offer to its stockholders approximately 18,017 shares of common stock (par $15) on a basis of one new share for each 25 shares held. **Underwriter**—None.

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.

★ **Illinois Bell Telephone Co. (7/12)**
May 17 it was announced company plans to issue and sell an issue of $30,000,000 first mortgage bonds. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, and for capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.: Kuhn, Loeb & Co. **Bids**—Expected to be received on July 12.

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.

★ **Ionics, Inc., Cambridge, Mass.**
May 18 it was reported company plans early registration of 100,000 shares of common stock. **Underwriter**—Lee Higginson Corp., New York and Boston.

Isthmus Sulphur Co. (Texas)
March 30 it was reported early registration is planned of an undertermined number of common shares. **Underwriters**—L. D. Sherman & Co., New York, and Garrett & Co., Dallas, Tex.; and others.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to sell $5,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. **Offering** — Expected before July 1.

Keystone Wholesale Hardware Co., Atlanta, Ga.
Jan. 27 it was stated that the company plans at a later date to offer additional shares for sale nationally. An offering of 16,666 shares of common stock was recently made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

★ **Lithium Development, Inc., Cleveland, Ohio**
May 25 it was announced that company plans soon to file a letter of notification with the SEC covering a proposed issue of 600,000 shares of common stock. **Proceeds**—For general corporate purposes. **Underwriter**—George A. Searight, New York.

Long Island Lighting Co.
April 19, Errol W. Doebler, President, announced that as additional funds will be required to finance construction, the company is contemplating the sale of about 650,000 shares of common stock in June or early July. Rights will again be offered to common stockholders to subscribe to the new stock, probably in the ratio of one new share for each ten shares held. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

Long Island Lighting Co.
April 23 it was announced company plans to sell an issue of about $15,000,000 first mortgage bonds, series H, due 1985. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co.; Baxter, Williams & Co. **Offering**—Expected late in 1955.

Lucky Stores, Inc.
April 20 stockholders approved a proposal to increase the authorized common stock (par $1.25) from 1,000,000 shares to 2,000,000 shares (there are 804,063 shares outstanding). It was reported previously that the company proposed to raise approximately $1,500,000 through the sale of 150,000 shares. However, no immediate financing is planned. **Underwriter**—Probably Blair & Co. Incorporated, New York.

Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978. Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

★ **Maremont Automotive Products, Inc.**
May 23 it was reported company plans early registration of $2,000,000 convertible debentures due 1970. **Underwriters** — Hallgarten & Co.; Straus, Blosser & McDowell; and McCormick & Co. (latter handling books).

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.

★ **Merritt-Chapman & Scott Corp.**
May 19, Louis E. Wolfson, President and Board Chairman, announced company plans to issue and sell $25,000,000 of convertible debentures. **Proceeds** — To refinance certain outstanding bank loans and term debt, for working capital purposes, and for future expansion. **Underwriter**—A. C. Allyn & Co., Inc., New York. **Offering**—Expected late in June.

★ **Middle States Telephone Co. of Illinois**
May 19 it was reported company plans to issue and sell additional common stock. On May 11, the authorized issue was increased to 450,000 shares from 350,000 shares. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

★ **Missouri Pacific RR. (5/26)**
Bids will be received by this company in St. Louis, Mo., up to noon (EST) on May 26 for the purchase from it of $2,925,000 equipment trust certificates due annually June 15, 1956-1970, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co., Incorporated.

★ **Mountain States Telephone & Telegraph Co.**
May 21 it was announced that company plans to issue and sell to its stockholders additional common stock next Fall, the amount and ratio to be determined later. American Telephone & Telegraph Co. owns about 86.7% of the presently outstanding common stock. **Underwriter**—None.

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 ar-

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ranged 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 23 stockholders received right to subscribe for 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**—To increase capital and surplus. **Underwriter**—Clark, Dodge & Co., New York.

● **National State Bank of Newark, N. Y. (6/3)**
May 23 stockholders approved a proposal to increase 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 in the ratio of one new share for each three shares held after receipt of the stock dividend. **Price**—$91 per share. **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.

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 Indiana Public Service Co.
Jan. 12, D. H. Mitchell, President, announced that the company plans to raise approximately $12,000,000 of new money (which may be done through sale of preferred and/or common stock). **Underwriters**—Probably Central Republic Co. (Inc.), Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Northwest Nitro-Chemicals, Ltd., Alberta, Can.
March 4 company plans to issue and sell publicly debentures and common stock to finance its proposed chemical project. **Underwriter**—Eastman, Dillon & Co., New York.

Ohio Water Service Co.
March 28 it was reported company plans to issue and sell $1,000,000 of first mortgage bonds and $300,000 of additional common stock (the latter to stockholders) in near future. **Proceeds**—To retire bank loans and reimburse the company's treasury for construction expenditures.

Pacific Telephone & Telegraph Co.
May 7, it was reported that the company expects later this year to make an offering of additional stock to stockholders, following approval of a proposal to increase the authorized capital stock from 8,500,000 shares (7,215,180 shares outstanding) to 10,500,000 shares.

Pennsylvania Electric Co.
Feb. 15 it was reported company plans to issue and sell later this year $9,300,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction **Underwriter**—To be determined by competitive bidding. probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Pennsylvania Electric Co.
Feb. 21 it was reported company proposes issuance and sale of $7,500,000 of preferred stock later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Pennsylvania Power & Light Co.
April 19, Charles E. Oakes, President, announced that company plans this year to issue and sell $15,000,000 of first mortgage bonds and use the proceeds for its construction program. Previous bond financing was arranged privately through Drexel & Co. and The First Boston Corp.

Pepsi-Cola General Bottlers, Inc., Chicago, Ill.
May 6 it was announced company plans to offer publicly 200,000 shares of common stock (par $1). **Proceeds**—To retire bank loans and for expansion program. **Underwriters**—Straus, Blosser & McDowell and Link, Gorman, Peck & Co., both of Chicago, Ill.

Pioneer Natural Gas Co. (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).

★ **San Diego Gas & Electric Co.**
E. D. Sherwin, President, recently reported that the company will need a minimum of $11,000,000 new capital to help finance its current $20,000,000 construction program. The financing will probably take the form of a bond issue or preferred stock. **Underwriters**—(1) For preferred stock, Blyth & Co., Inc., San Francisco, Calif. (2) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Offering**—Expected in September.

★ **Schuster (Ed.) & Co., Inc.**
May 23 it was reported offering of 17,000 shares of common stock (par $10) is expected in near future. **Price**—$16.37½ per share. **Underwriter** — Robert W. Baird & Co., Milwaukee, Wis.

Southern California Gas Co.
Feb. 28 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds. Application has been filed with California P. U. Commission for exemption from competitive bidding. Bids received on last sale of bonds were from Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Lehman Brothers.

Southern Co. (11/9)
Dec. 30 it was announced company plans to issue and sell to the public 500,000 additional shares of common stock (par $5). Proceeds—To repay bank loans and for investment in additional stock of subsidiary companies. Underwriter—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Ladenburg, Thalman & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Blyth & Co., Inc., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane Bids—Tentatively scheduled for Nov. 9. Registration—Not expected until Oct. 12.

★ **Southern New England Telephone Co. (6/21)**
May 23 the directors authorized an issue of $20,000,000 of debentures. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received on June 21.

Southland Frozen Foods, Inc.
April 18 it was reported company plans to offer $600,000 of 6% debentures and 60,000 shares of common stock. **Office**—160 Broadway, New York City. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Offering**—Expected in June or July.

Southwestern States Telephone Co.
April 25 company applied to the Arkansas P. S. Commission for authority to issue and sell 40,000 shares of cumulative preferred stock (par $25). **Proceeds** — Together with funds from proposed issue (probably privately) of $2,000,000 first mortgage bonds, to be used for construction program. **Underwriter** — Central Republic Co. (Inc.), Chicago, Ill.

Sterling Precision Instrument Corp., Buffalo, N. Y.
April 14 it was reported company plans to issue and sell $3,000,000 of convertible preferred stock.

Texas Eastern Transmission Corp.
Jan. 12, George T. Naff, President, referred to the possibility of some $85,000,000 in new financing when and if the company's current application for the reconversion of the Little Big Inch pipeline and the construction of the new natural gas facilities is launched. He indicated that it was possible that $40,000,000 of that assumed $85,000,000 new financing might be in the form of new first mortgage bonds, (to be placed privately), and that based upon the assumptions that he was making he believed that the remainder of the financing would be accomplished by the issuance of debentures and preferred stocks (he did not assume the sale of any common stock). Plans for the possible issuance of new securities are not at all definite as yet, it was announced on March 4. **Underwriter**—Dillon, Read & Co., Inc., New York.

Texas Gas Transmission Co.
March 15 it was reported company plans to sell additional first mortgage bonds later to finance cost of new construction, which is estimated at about $17,500,000. **Underwriter**—Dillon, Read & Co. Inc., New York.

United Aircraft Corp.
April 26 stockholders approved a new issue of 500,000 shares of preference stock (par $100). **Proceeds**—To redeem present 5% cumulative preferred stock (233,500 shares outstanding), and for working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1985. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids** — To be received Sept. 13.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans public sale of 177,500 shares of common stock. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Sept. 13.

★ **Warner-Lambert Pharmaceutical Co.**
May 24 it was announced early registration is expected of an issue of 325,000 shares of common stock. **Proceeds**—To International Drug Products, Inc., which presently owns 558,411 shares. **Underwriter**—Morgan Stanley & Co., New York.

Westcoast Transmission Co., Ltd.
April 25 it was reported company now plans to issue and sell publicly about $20,000,000 of securities, probably in units of notes and stock. Bonds are expected to be placed privately. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected in July.

Western Light & Telephone Co., Inc.
May 2 it was reported company plans to issue and sell about $2,500,000 first mortgage bonds, series H, due 1984. **Underwriter**—May be Dean Witter & Co.

Western Union Telegraph Co.
March 15 it was announced that consideration is being given to the issuance of some additional shares of common stock through an offering to stockholders. Stockholders April 13 voted to approve a 4-for-1 split of the company's stock and the issuance of an additional 1,580,000 new shares, part of which are expected to be offered as aforesaid, but no definite financing plans have been formulated. **Underwriters**—Expected to include Kuhn, Loeb & Co.; Lehman Brothers; and Clark, Dodge & Co.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

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Mutual Funds

By ROBERT R. RICH

Full Texts of New Jersey Bills On Variable Annuity Contracts

ASSEMBLY BILL, No. 306

By Mr. BARNES

Referred to Committee on Business Affairs

An Act concerning the issuance by insurance companies of contracts on avariable basis and the regulation thereof, and amending section 17 :34-19 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. When used in this act "contract on a variable basis" shall mean any contract issued by an insurance company providing for the dollar amount of benefits or other contractual payments or values thereunder to vary so as to reflect investment results of any segregated portfolio of investments or of a designated account in which amounts received in connection with any such contracts shall have been placed.

2. Any contract on a variable basis delivered or issued for delivery in this State, and any certificate evidencing variable benefits issued pursuant to any such contract on a group basis, shall contain a statement of the essential features of the procedure to be followed by the insurance company in determining the dollar amount of variable benefits or other contractual payments or values thereunder and shall state in clear terms that such amount may decrease or increase according to such procedure. Any such contract delivered or issued for delivery to an individual, and any such certificate, shall contain on its first page, in a prominent position, a clear statement that the benefits or other contractual payments or values thereunder are on a variable basis.

3. No contract on a variable basis, or certificate evidencing variable benefits to be issued thereunder, shall be delivered or issued for delivery in this State by any insurance company until a copy of the form thereof and any form of application of such contract have been filed with the Commissioner of Banking and Insurance. If the commissioner shall at any time notify any company, specifying particulars, of his disapproval of any such contract form, application or certificate because (1) such contract or application or certificate contains provisions which are unjust, unfair, inequitable, ambiguous, misleading, likely to result in misrepresentation, or contrary to law, or (2) sales of such contracts are being solicited by any means of advertising, communication or dissemination of information which involves misleading or inadequate description of the provisions of the contract, it shall be unlawful for such company thereafter to issue any contract or certificate thereunder or use any application in the form so disapproved. Such disapproval of the commissioner shall be subject to review by the Superior Court in a proceeding in lieu of prerogative writ.

4. Section 17 :34-19 of the Revised Statutes is amended to read as follows:

17 :34-19. The foregoing provisions of this article shall not apply to annuities or to corporations or associations operating on the assessment or fraternal plan, section 17 :34-15 of this Title shall not apply to group life insurance and paragraphs "a," "b," "f," "i," "k," and "l" of said section 17 :34-15 shall not apply to industrial policies Paragraphs "f," "g," and "h" of said section 17 :34-15 shall not apply to any provisions included in life insurance policies, for the payment of a larger amount of insurance if death is caused by accident or for the waiver of premiums, or for the granting of other benefits, or both, in the event that the insured becomes disabled from any cause. In every case where a contract provides for both insurance and annuities, the provisions of sections 17 :34-15 and 17 :34-16 shall apply only to that part of the contract which provides for insurance, but every contract issued or delivered in this State, except a contract to which the provisions of the standard nonforfeiture law (1943) contained in section 1 of this act apply, *and except a contract on a variable basis*, containing a provision for a deferred annuity upon the life of the insured only, unless paid for by a single premium, shall provide that in the event of the nonpayment of any premium after 3 full years' premiums shall have been paid, the annuity shall automatically become converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premium paid bears to the total number of premiums required under the contract.

5. This act shall take effect immediately.

STATEMENT

This is a companion bill to Assembly Bill No. 305, which empowers any New Jersey mutual life insurance company to establish a variable contract account, and contemplates the issuance by any company having such an account of contracts on a variable basis. This bill, which is applicable to variable contracts issued in New Jersey by a company of any State. sets up protective provisions as to disclosure to purchasers of the variable nature of benefits or values and gives to the State Department of Banking and Insurance authority to review contract, application, or certificate forms and advertising used in connection with sales of variable contracts.

ASSEMBLY BILL, No. 307

By Mr. BARNES

Referred to Committee on Business Affairs

An Act providing for the establishment and operation by any mutual life insurance corporation of a variable contract account, and the regulation thereof.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Any mutual life insurance corporation heretofore or hereafter incorporated pursuant to the provisions of any general or special law of this State shall have authority to establish and operate a separate account known as the variable contract account.

2. All amounts received in connection with contracts on a variable basis shall be placed in the variable contract account, and all liabilities on such contracts shall be set up in said account.

3. Any mutual life insurance corporation which establishes a variable contract account and which, within and as part of its authority to grant, purchase or dispose of annuities, issues variable annuity contracts providing for the dollar amounts of annuity payments, return considerations, withdrawal benefits, or any other contractual payments thereunder to vary so as to reflect the investment results of the variable contract account, shall include in each such contract a statement of the essential features of the procedure to be followed in determining the dollar amount of such contractual payments.

4. The investments and liabilities of a variable contract account shall at all times be clearly

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Wall Street's Opposition Statement To Variable Annuity Bills

MEMORANDUM OF OPPOSITION
TO
VARIABLE ANNUITY LEGISLATION
(Assembly Bills 305, 306, and 307)

In essence a variable annuity represents, under the guise of "insurance," an ownership interest in a diversified holding of common stocks which will fluctuate in value and income productivity with the fluctuations of the stock market and the rates of common stock dividend payments. The purchaser of a variable annuity assumes all the risks with respect to value and income. The insurance company assumes no such risks.

Federal Tax Status of Life Insurance Companies

Life insurance companies are presently taxed at a maximum rate of 6½% of their net investment income. Income from stocks is subject to the 85% corporate dividends received credit. Thus only 15% of dividend income is subject to tax. Applying the 6½% life insurance company tax to 15% of dividend income results in an *effective tax of less than 1%.*

Capital gains are *not* included in net investment income and are *not* taxable.

These tax provisions were designed to apply to a fixed and guaranteed future dollar obligation of insurance companies which is implicit in the term "annuity." They were *not* designed to apply to a common stock investment medium with a fluctuating value and no guarantee of dollar certain payments in the future.

Under these tax provisions, however, the dividends from common stocks in which the purchaser of a variable annuity has an ownership interest would be accumulated and reinvested for him at a tax of only 1%, and capital gains realized in the normal course of portfolio revision would *not* be subject to capital gains tax.

Dividends from common stocks owned in any other form, however, are subject to Federal income tax rates of from 20% to 91% and capital gains realized on stocks owned in any other form are subject to capital gains taxes ranging up to 25%.

Federal Tax Status of Annuity Payments

The 1954 Internal Revenue Code contains new favorable tax treatment for annuities by permitting a special tax credit on retirement income received in the form of annuities or otherwise. In addition, annuity payments normally would be received during the years when the annuitant is in a lower tax bracket than while in his earning years, and if over 65, he would enjoy a double personal exemption.

Thus while some portion of annuity payments might be subject to Federal income tax, the deferred tax on the accumulated income would be substantially lower—if not entirely avoided—than had the annuitant invested in common stocks through any other medium and paid individual income taxes on his dividends as received.

Regulation:

Because life insurance agents would be able to offer such substantial tax advantages, as explained above, it is all the more important that their representations to prospective buyers and their selling and advertising methods with respect to an invest-

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through
National Stock Series

a mutual fund, the primary objective of which is to provide an investment in a diversified group of common stocks selected because of their relatively high current yield and reasonable expectance of its continuance with regard to the risk involved. Prospectus and other information may be obtained from your investment dealer or:

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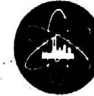

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Wall Street's Opposition Statement To Variable Annuity Bills

ment medium in which the *buyer assumes all the risk* should be carefully regulated to protect the public interest.

The sale of common stocks in the form of a variable annuity by life insurance companies would *not* be subject to the various federal and state laws regulating the sale of *securities.* At the federal level, the Securities Act of 1933 requires disclosure to the investor of basic information about the securities he is purchasing *before* he purchases them, and prescribes severe penalties for misrepresentation; the Securities and Exchange Act of 1934 regulates the business conduct of those selling securities, likewise subject to severe penalties for misconduct; and the Investment Company Act of 1940 sets forth comprehensive standards for companies issuing shares representing an ownership interest in a diversified holding of common stocks or other securities. These Acts exempt from federal control, life insurance companies and the policies issued by them.

This means, of course, that even though a variable annuity merely provides just another means of purchasing common stocks, its issuance and sale to the public would not be subject to any of these time-tested and desirable federal and state regulatory statutes.

The effect of the legalized sale of variable annuities by insurance companies unrestricted by any of the safeguards governing the sale of common stocks and possessed of the tax advantages noted above, obviously would have serious impact on the investment banking business, brokers and dealers, trust departments of banks, investment companies, investment counsel firms and on the life insurance industry itself.

Conclusion:

An important test of any proposal such as the variable annuity is in the answer to this question —Does it fill a public need not currently being met effectively and in the public interest?

The answer is NO. The fact is that other, more effective, experience-tested media for achieving substantially the same investor objectives are available. Through the investment business as it already operates, an investor can obtain carefully managed, constantly supervised, widely diversified participation in the ownership of American business and industry on an economical basis and under Federal and State regulations conceived for the protection of the investing public.

There is *no economic need* for insurance companies, which traditionally have provided a guaranteed fixed-dollar settlement payment on policies, to enter the common stock field to "provide protection" against inflation with no guarantee of dollar amounts of settlement payments. Insurance policyholders can now supplement regular life insurance protection by direct investment in common stocks, or by investment in common stock investment companies or common trust funds managed by banks.

No public interest will be served by substituting new, untried unregulated variable annuity machinery for the machinery that now exists in the investment business, the investment company business, the trust division of the banking business and the stock investments by the public. Indeed, the public interest would be seriously damaged if these elements in the financial community were to be destroyed, as would be the case in very large measure if the variable annuity concept is allowed to take over.

The *economic control* potential of the variable annuity proposal is frightening. The concentration of national wealth in the hands of a small number of giant life insurance companies may already be dangerous. Further concentration, through their ownership of common stocks, under variable annuity plans, could quickly lead to monopoly control of the economy.

In a practical sense, this whole variable annuity proposal boils down to this: By legalizing the issuance and sale of variable annuities under *state insurance laws,* all the comprehensive framework of federal regulation with respect to *securities,* which has been imposed on issuers, underwriters, stock exchanges, over - the - counter markets and broker-dealers, would be *completely circumvented* to the detriment of national public interest; and all federal and state *tax laws,* applicable to securities ownership, which, though imperfect in many respects, have nevertheless been laboriously developed over the years *to serve the public interest,* would also be *completely circumvented.* In effect, a tax structure designed for guaranteed dollar payment *insurance* would be made to apply to securities ownership in the form of variable annuities, thus making it possible to *avoid* taxes applicable to securities ownership and defeat the purpose of tax laws which have been enacted in the public interest.

Obviously, the Treasury and the Congress will concern themselves with these matters. In the meantime, however, this hastily contrived venture into areas which have not been explored thoughtfully and carefully could have seriously damaging effects on important financial elements in the national economy, on the public interest and on the life insurance industry itself.

An informal committee has been formed which initially is composed of members of the National Association of Investment Companies, the National Association of Securities Dealers, the Investment Bankers Association of America, along with others including bankers, brokers and investment dealers domiciled in New Jersey and elsewhere, to pursue vigorously all avenues of opposition to the offering by life insurance companies of variable annuity contracts on the basis of proposals which have been made before various state legislatures. So far these proposals have been rejected in Maryland, New Hampshire, New York and Texas and have not been adopted in any state.

FOR THE COMMITTEE:
Hugh W. Long
Joseph E. Welch
William F. Shelley
Arthur Haussermann (Secretary)

May 10, 1955.

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Full Texts of New Jersey Bills On Variable Annuity Contracts

identifiable and distinguishable from the other investments and liabilities of the corporation. No sale, transfer or exchange of investments may be made between the variable contract account and any other investment account of the corporation.

5. The valuation of variable contract account assets for all purposes, including annual reports of the corporation to the Department of Banking and Insurance shall be determined in accordance with the market value of such assets, notwithstanding the application of other valuation methods to assets of the corporation other than the assets of the variable contract account. Such valuation may be made as of such valuation dates as the corporation shall establish from time to time, except as otherwise required for such annual reports to the Department of Banking and Insurance.

6. The reserve liability for contracts on a variable basis shall be established by the Commissioner of Banking and Insurance pursuant to the requirements of the standard valuation law (1943) in accordance with actuarial procedures that recognize the variable nature of the benefits provided.

7. Any mutual life insurance corporation which establishes a variable contract account and issues variable annuity contracts may in its discretion, but need not, require in any case the purchase of annuities which provide for benefits of predetermined dollar amount in specified proportions in combination with the purchase of annuities providing for benefits of variable dollar amount.

8. This act shall take effect immediately.

STATEMENT

This bill would authorize any New Jersey mutual life insurance company to establish a segregated account to be known as the variable contract account, the assets of which might be invested to a large extent in common stock and other equity securities. A company operating such an account would issue special types of contracts, under which payments would vary in dollar amount so as to reflect the investment results of the account. Provided such an account were established, annuity contracts on a variable basis would be issuable within the now existing authority of a New Jersey mutual life insurance company to grant, purchase or dispose of annuities.

This legislation would permit New Jersey mutual life insurance companies to help meet a widespread public need of retired persons and others for an income tending to vary at least to some extent in relation to the cost of living. Distributions would be based upon actuarial application of mortality tables and would be within the scope of accepted responsibilities and functions of life insurance companies. Since the obligations of a company under such variable contracts would be keyed to the investment results of the special account, fluctuations in market value or yield of the investments in such account would not affect the other assets and obligations of the company.

This bill has the approval of the Department of Banking and Insurance.

TOTAL NET assets of Boston Fund increased by $8,199,176 in the first quarter of the present fiscal year to reach a new high of $129,657,021 on April 30.

Adjusting for the two-for-one split of the shares effective on that date, net asset value per share was $15.37 compared with $14.67 on Jan. 31, 1955 and $12.655 at the close of April of last year, when total net assets were $104,-856,944. During the 12 months, the number of shares outstanding, adjusted for the split, increased from the equivalent of 8,287,298 to a new high of 8,436,362.

In the current quarterly report to shareholders, Henry T. Vance, President of the Fund, notes that on April 30 of this year, investment holdings were divided 13.6% in bonds, 13.7% in preferred stocks and 72.7% in common stocks. A year earlier the proportions were 15.8, 16.8 and 67.4% respectively.

Prospectus from
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102nd consecutive quarterly dividend

20c a share from net investment income, payable June 30, to stock of record June 9, 1955.

WALTER L. MORGAN, President

Baruch Bros. & Co. Promotes Treat, Organ

Baruch Bros. & Co., 44 Wall Street, New York City, announced the promotion of two executives, Amos Treat and N. Sims Organ. Mr. Treat, formerly with Shields & Co., has been elevated to Syndicate Manager. Mr. Organ, formerly with Ward and Co. and Bonner and Bonner, has been promoted to Sales Manager. Both men have been with Baruch Bros. & Co. since April, 1954.

Kidder, Peabody Adds

BOSTON, Mass.—Katina Bokron has joined the staff of Kidder, Peabody & Co., 75 Federal Street.

Affiliated Fund

A Common Stock Investment Fund

Investment objectives of this Fund are long-term capital and income growth for its shareholders.

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REDEMPTION NOTICE

NOTICE OF REDEMPTION

The Baltimore and Ohio Railroad Company

Refunding and General Mortgage Bonds

Series J, Due December 1, 1995

(Series C, Due December 1, 1995)

NOTICE IS HEREBY GIVEN that The Baltimore and Ohio Railroad Company has elected to redeem and pay off all of its Refunding and General Mortgage Bonds of Series J on December 1, 1955, by operation of the General Sinking Fund under the Company's Refunding and General Mortgage, and that on such date there will become and be due and payable upon each of said Bonds, at the office of The Hanover Bank, 70 Broadway, New York 15, New York, the principal amount of said Bonds together with accrued interest thereon to such date. No further interest will accrue upon any of said Bonds from and after December 1, 1955.

Said Bonds should be presented for redemption and payment at said office of The Hanover Bank accompanied by all coupons, whether for fixed or contingent interest, maturing December 1, 1955 and subsequently.

Any Refunding and General Mortgage Bonds of Series C which have not been exchanged for Bonds of Series J are included in the foregoing call for redemption, and should likewise be presented for payment as above set forth.

The Baltimore and Ohio Railroad Company,
By W. L. PRICE, *Vice President*

Dated: May 25, 1955.

PROVISION FOR PREPAYMENT

Holders of The Baltimore and Ohio Railroad Company Refunding and General Mortgage Bonds, Series J and Series C, may present the same for payment in accordance with the foregoing Notice, and receive the full redemption price including accrued interest to December 1, 1955, at any time on or after June 1, 1955.

The Baltimore and Ohio Railroad Company,
By W. L. PRICE, *Vice President*

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DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y.

On May 25, 1955, a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock were declared, payable July 1, 1955, to stockholders of record at the close of business June 7, 1955.

J. P. McCAULEY, Secretary.

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable June 10, 1955, to holders of record May 31, 1955.

ROGER HACKNEY, *Treasurer*

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, May 19, 1955, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 30, 1955, to Common stockholders of record at the close of business on June 1, 1955.

The Board also declared a dividend of one dollar nine and three-eights cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable June 15, 1955 to Preferred stockholders of record at the close of business on June 1, 1955.

S. A. McCASKEY. JR
Secretary

THE COLORADO FUEL AND IRON CORPORATION

DIVIDEND NOTICE

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, N. Y. on May 24, 1955, a dividend on the common stock of the corporation in the amount of thirty-seven and one-half cents per share was declared, payable July 1, 1955, to stockholders of record at the close of business on June 3, 1955. The regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock in the amount of sixty-eight and three-quarters cents per share were declared, payable on June 30, 1955, to stockholders of record at the close of business on June 3, 1955.

D. C. McGREW,
Secretary.

ALCO PRODUCTS, INC.

30 Church Street New York 8, N. Y.

PREFERRED DIVIDEND No. 188
COMMON DIVIDEND No. 124

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable July 1, 1955 to holders of record at the close of business on June 9, 1955.

The transfer books for the Preferred Stock will be closed from the close of business on June 3, 1955 until the opening of business on June 10, 1955 in connection with the redemption by this Company of 100,000 shares of Preferred Stock on July 11, 1955, and in order to be a holder of record of such Preferred Stock as of June 9, 1955 it will be necessary to be a holder of record thereof at the close of business on June 3, 1955.

CARL A. SUNDBERG
Secretary

May 24, 1955

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable June 15, 1955 to shareholders of record May 31, 1955. Checks will be mailed.

E. ARCHIE MISHKIN
VICE-PRES. & TREAS.

Philadelphia, Pa.
May 20, 1955.

PHILLIES
America's No. 1 cigar

WEBSTER
The modern-mild cigar

DIVIDEND NOTICES

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 101

A Dividend No. 101 of Forty Cents ($.40) on the Common Stock has been declared, payable July 1, 1955, to stockholders of record June 15, 1955.

M. B. LOEB, President

Brooklyn, N. Y.

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 7 (quarterly)—62½c per share—payable July 10, 1955 to stockholders of record June 10, 1955 whose shares are not called for redemption on July 1, 1955.

Common stock—Dividend No. 90 (quarterly)—45c per share—payable June 25, 1955 to stockholders of record June 10, 1955.

H. R. WECKERLEY, Secretary

Dated: May 23, 1955.

CSC

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 82

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1955, to stockholders of record at the close of business on June 3, 1955.

A. R. BERGEN,
Secretary.

May 23, 1955.

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

May 24, 1955

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Thirty-seven and one-half Cents (37½¢) per share on its common stock, payable June 30, 1955, to stockholders of record at the close of business on June 16, 1955.

William G. Holman
Treasurer

CHEMICALS · FIBERS · PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable July 1, 1955, to holders of record at the close of business June 3, 1955.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1955, to holders of record at the close of business June 3, 1955.

COMMON STOCK

12½ cents per share payable June 24, 1955, to holders of record at the close of business June 3, 1955.

R. O. GILBERT
Secretary

May 24, 1955.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 896

The Board of Directors has declared Dividend No. 896 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable June 10, 1955, to stockholders of record June 1, 1955. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 10, 1955.

Newmont Mining Corporation

Dividend No. 109

On May 24th, 1955 the Directors of Newmont Mining Corporation declared a regular dividend of 50¢ per share on the 2,658,230 shares of its Capital Stock now outstanding, payable June 15th, 1955 to stockholders of record at the close of business June 6th, 1955.

WILLIAM T. SMITH, *Treasurer*

New York, N. Y., May 24th, 1955.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 161 of fifty cents (50¢) per share on the common stock payable July 15, 1955, to stockholders of record at the close of business on June 15, 1955.

GERARD J. EGER, Secretary

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 164

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable July 1, 1955, to stockholders of record at the close of business on June 15, 1955. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

May 19, 1955

The Board of Directors has this day declared a quarterly dividend of 30 cents per share on the capital stock of this Company, par $10, payable July 1, 1955, to stockholders of record at the close of business June 1, 1955.

RALPH B. PLAGER, *Secretary*

DIAMOND ALKALI CHEMICALS

Dividend Number 14 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on May 19, 1955, declared a dividend of $1.10 per share for the quarter ending June 15, 1955, payable June 15, 1955, to holders of 4.40% Cumulative Preferred Stock of record May 31, 1955, and a regular quarterly dividend of 37½ cents per share, payable June 6, 1955, to holders of Common Capital Stock of record May 31, 1955.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, May 19, 1955

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

May 20, 1955

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on June 27, 1955, to stockholders of record at the close of business on June 1, 1955.

PAUL B. JESSUP, *Secretary*

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable July 1, 1955 to holders of Preferred Stock of record at the close of business on June 10, 1955:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875

VINCENT T. MILES
Treasurer

May 25, 1955

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

May 9, 1955

A quarterly dividend of fifty (50¢) cents per share has been declared, payable June 28, 1955, to stockholders of record at the close of business June 8, 1955.

An extra dividend of fifty (50¢) cents per share has been declared, payable June 28, 1955, to stockholders of record at the close of business June 8, 1955.

JOHN G. GREENBURGH,
Treasurer.

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on July 1, 1955 to stockholders of record at the close of business June 13, 1955.

JOHN H. GAGE,
Treasurer

May 24, 1955

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 58 cents per share on the Common Stock of the Company, payable July 1, 1955 to stockholders of record at the close of business June 1, 1955.

D. W. JACK
Secretary

May 20, 1955

DIVIDEND NOTICES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 150

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on June 20, 1955, to stockholders of record at the close of business May 31, 1955.

E. J. GOODWIN, Treasurer.

New York, N. Y., May 19, 1955.

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable July 1, 1955, to stockholders of record at the close of business on June 10, 1955.

B. H. WINHAM
Secretary

May 25, 1955

UNITED FRUIT COMPANY

224th
Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1955, to stockholders of record June 10, 1955.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., May 16, 1955

NATIONAL COMPANY, INC.

National

Electronics—Tuned to Tomorrow

NOTICE OF DIVIDENDS

At a meeting held earlier this year, the Board of Directors declared the following dividends:

	Payable Date (1955)	*Record Date (1955)*
2% Stock	March 30	March 25
10 Cents	June 30	June 25
2% Stock	Sept. 30	Sept. 25
10 Cents	Dec. 30	Dec. 25

THOMAS D. WALSH
Ass't Treasurer

Pullman Incorporated

89th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on June 14, 1955 to stockholders of record May 31, 1955.

CHAMP CARRY
President

PULLMAN STANDARD CAR MANUFACTURING CO. · KELLOGG · TRAILMOBILE

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Chances that the military Reserve bill will be revived in the House are reported on the best of authority to be most slender.

The defeat of this bill was one of those unexpected things that Congresses do, that are the bane of the existence of the party whip or even the newsman. When the Armed Services Committee reported the bill, then the checking around indicated a comfortable margin for its passing in the House.

However, Rep. Adam C. Powell (D., N. Y.) got his amendment adopted in committee of the whole whose effect would be, among other things, to ban segregation in National Guard units in southern states. And Rep. Frank (R., O.) got adopted his amendment which would hereafter "repeal" the status of forces treaty. This is the treaty under which American service personnel overseas are liable to trial and punishment in the domestic courts of the country of their stationing for violation of criminal laws in those countries.

Sponsors of these two amendments were joined, of course, by opponents of the bill, who regard it as an entering wedge for universal military service.

For the record the leadership takes the view that since the bill was just dropped after the tentative approval of these amendments, it is still alive and can possibly be taken up later and passed. This prospect is NOT ruled out by the most careful observers, since the present Congress will last through 1956, and changed world conditions some indefinite time in the future possibly might stimulate an interest in behalf of this legislation.

On the other hand, as sentiment now appears to stand, the coalition which developed spontaneously among the opponents of segregation, of the status of forces treaty, and the opponents of the bill, appears to be unbeatable.

Joint Budget Committee Voted Perfunctorily

Again, for the third time in recent years, the Senate went through, without a shred of debate, the motions of adopting the proposed Joint Budget Committee. Chairman John L. McClellan (D., Ark.) of the Senate Committee on Government Operations, explained in a few words that the purpose of the bill was to gain a better control of Federal spending, and that the Senate had twice before passed this same legislation. No other Senator said a word for or against it, and it was passed by unanimous consent.

This procedure gave the impression that the bill again will get nowhere in the House, which has always opposed it—rather, certain key House leaders have opposed it.

Actually this proposal is a modification of an existing provision already in law, and a dead letter by common consent. The Legislative Reorganization Act of 1946 proposed to create a "Joint Budget Committee." This group legally consists of the ranking members of the Appropriations and Taxing Committees of both Houses.

Theoretically the Joint Budget Committee is to meet early in the session, estimate probable revenues, go over total appropriation requests, and then cut the suit to fit the amount of cloth. Either appropriations would be held down to prospective revenues, or the Congress would raise revenues to avoid a deficit.

This original Joint Budget Committee the first year belatedly went through the motions of working out a fiscal program, and it was such a dismal failure that the committee never again was called together, although it exists as legally as any other committee.

What the Senate has just passed is a different kind of a Joint Budget Committee. It would leave out members of the Senate Finance and House Ways and Means, or Taxing Committees. Membership would be confined to the first seven ranking members of each appropriations committee.

This body would have the power only to recommend. However, in theory it would take the total look at the Federal spending picture and try to contain spending to revenues estimated to be available.

Observers point out that the trouble with this is that when neither the Congress nor the Administration is determined to balance the budget, no special legislative procedure or gimmick will make it possible for the job to be done.

Finally, the committees themselves are jealous of supercommittees and of their own jurisdictions. They want no overlayer of advisers. **It is for this reason that the Joint Economic Committee has never progressed beyond the function of providing a theater stage before which officials and economists can publicly air their views in the public prints.**

Criticizes Federal Reserve; Hints Broad New Policy

There is in the staff memorandum of the Joint Economic Committee, and later released for publication after it "leaked," the germ of an idea that is now readily taking firm hold among the Democratic leadership of Congress.

It is this idea: **That general credit restriction, no matter how mild, may not be justified so long as there is any unemployment.**

Starting Feb. 1, 1954, when the Republicans controlled the Joint Economic Committee, the Democrats vigorously flayed the Eisenhower Administration and the Federal Reserve for the credit restraints which prevailed until the latter part of 1953.

However, at that time the business outlook was far less rosy. The significance of the Joint Economic Committee staff memorandum is that it criticizes the present mild restraint of failing to supply the market with considerable excess reserves on the theory that so long as there is any unemployment, such restraint is not justified.

"We still have . . . a significant amount of unemployment in spite of the fact that the recovery has been under way for six to eight months.

"In view of this unemployment, one may well question whether the current policy of limiting the reserve position of banks through general credit measures is an appropriate way of dealing with what may be or may become potential trouble spots," the memorandum observed.

One by one the staff reviewed the trouble spots, consumer and real estate credit. It came to the conclusion that these were not sufficiently serious to justify "general credit tightening." (In fact the Reserve would probably dispute this is "credit tightening" but would probably call it the absence of credit easing.)

A subsidiary idea was developed by the Joint Economic Committee staff. It hinted rather broadly that there should be specific controls brought back to operate on "trouble areas," i. e., consumer and real estate credit expansion.

(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

"I'd appreciate it, Figbar, if you'd merely say 'dividend prospects are poor' and not 'the dividends stink on ice'!"

Business Man's Bookshelf

Century and a Half of Federal Expenditures—M. Slade Kendrick—National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y. (paper) $1.25.

Columbia University Press Fall 1955 Catalogue—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper).

Construction Equipment: Manufacturer-Distributor Selling Methods and Practices—Construction Equipment, Attention Market Information, 205 East 42nd Street, New York 17, N. Y. (paper) available on request to construction marketers when requested on firm stationery.

Depot Utilization: Warehousing and Storage—Commission on Organization of the Executive Branch of the Government—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) 20c.

Regulating Business by Independent Commission — Marver H. Bernstein — Princeton University Press, Princeton, N. J. (cloth) $5.

So People May Prosper—Study of a program for national prosperity based on full production and increased productivity—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper) $1 (quantity prices on request).

Yearbook of Railroad Information: 1955—Eastern Railroad Presidents Conference, 143 Liberty Street, New York 6, N. Y. (paper).

Pershing & Co. To Admit New Partners

Pershing & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on June 2nd will admit Charles M. Lockwood, Andrew Gray and Otto E. Kuhlmann to partnership. Mr. Lockwood will acquire a membership in the Exchange.

Joins Rothschild Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Sydney Bloch is now with Rothschild & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

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