2

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EDITORIAL

As We See It

There is one thing about which all the politicians these days agree. It is that we must be "strong"; strong, that is, not only in a military way but in an industrial and economic sense also. It is only the strong who can survive in this critical and cruel world, and it is only the "expanding," "dynamic," or growing "economy" which can be strong. Politicians of the New Deal or Fair Deal persuasion do not take the trouble to add that this has not always been quite the "progressive" account of things in general. Not very long ago these prophets or preachers of "expansion"—or at least some of them and, we might add, all their prototypes in politics—were expounding quite a different philosophy—that of the so-called mature economy in which all growth had already been attained and the hope of the future lay in a more even distribution of the output of the nation.

Such a delving into relatively recent history would, of course, not be to the glory of the current exponents of "modernism," and is hardly to be expected of them. In any event, this sin of omission is hardly as dangerous as another which seems to plague most of the political leaders of the day.

The simple and obvious fact that all these seekers after political preferment should, but mostly do not, impress upon the rank and file is that if we expand and become increasingly strong the people themselves, rather than government, must do the growing. The people will grow, prosper and increase in economic power and potential — all of their own volition and upon their own initiative—or there will be, there

Continued on page 18

Our National Wealth— Is It Increasing?

By WILLIAM CHAMBERLAIN*
Saratoga, Calif.

In a communication to an associate, Mr. Chamberlain contends statistical and accounting data indicating increase in the national wealth is erroneous, since it gives no recognition to the changed and changing dimension of the unit of the measurement of value. Says world is afflicted with an inflationary monetary madness, which causes people to feel that when the government buys, destroys, and gives away, the people are richer. Attacks irredeemable paper money as "greatest of all mass deceptions."

You wish me to amplify my recent suggestion that the American people labor under a misconception respecting the wealth of the nation. Since you desire it I am now stating more specifically its nature and what I apprehend will be its consequences.

William Chamberlain

The misconception is the belief that despite the destruction of war and the postwar gifts to foreign governments the aggregate wealth of the people has made steady increase and suffered no diminution. The prevalence of this belief is attested by the books of account of the country's individuals, banks, and business institutions which support and confirm it. These private and corporate accounts reflect nothing of the waste and destruction of war nor of the fabulous gifts and benefactions which followed. They record receipt of full value for everything supplied the government for destruction or alienation and for every service rendered. As a consequence they record in the aggregate great gains and profits as generated by war and policies of

Continued on page 20

*Text of a letter written by Mr. Chamberlain to an associate, who asked him to amplify his assertion that the people are deceived regarding the increase in the wealth of the nation.

Investment Planning for Income and Sound Growth

By PAUL KENT*
Investment Adviser, Babson's Reports

Mr. Kent presents as aims in investment planning and sound growth: (1) stable and liberal income; (2) protection for principal; (3) growth of principal; and (4) occasional profits. For insuring success of investment plan, he advises: (1) good timing; (2) selectivity and diversification; (3) constant supervision; and (4) patience. Lays down plan for division of investment portfolio into three grades of securities.

The wisest investment planning is not always the most obvious. For example, American Telephone & Telegraph is often considered a good income stock. It has paid $9 in dividends every year since 1922. If $1,000 had been put into A. T. & T. at the average price in 1922, the income from the rights and dividends through 1951 would have been $2,600. However, the income from $1,000 put into du Pont in 1922 would have been $17,000!

Paul Kent

The $1,000 invested in A. T. & T. in 1922 would now be worth $1,250. The same amount invested in du Pont in that year would now be worth $35,000!

Please do not take this as a suggestion to sell your American Telephone & Telegraph stock. We may be coming into the time when it will be much more of a growth stock than in the past. Coaxial cables, television relay systems, television metering, vehicle-to-vehicle communication, advancing uses for teletype—all may spell expansion of markets and greater profits. There is also the possible advantage for stockholders in the divestment of Western Electric, if this is brought about.

However, the foregoing shows the need for a shrewd

Continued on page 18

*A talk by Mr. Kent at the 1952 Summer Conference of Babson's Reports, New Boston, N. H., Aug. 28, 1952.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 26.

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.)

FRED MESSNER

Research Department, A. M. Kidder & Company, New York City
Members, New York Stock Exchange

Pullman, Inc.

To meet a discreet investor's basic objectives and desires for a stock that combines a past record of dependable return with a future promise of growth tendencies, **Pullman, Inc.** is a logical candidate.


Fred Messner

To use a literary figure based on the ancients, namely the twin-headed Janus, one side of the Pullman picture reveals the unique accomplishment of dividends paid to shareholders every year without interruption since 1867, while the other side shows new horizons that should contribute to earnings in the period ahead.

Looking back at the more recent part of the past side, the actual dividend payments during most of the decade to 1951 have amounted to $3 per year—the lowest was $2, and the highest $4—with an annual average of $2.90. At the existing price of 42 for the stock, the yield based on this 10-year average dividend received would equal a liberal 6.9%; and on the recent $0.75 quarterly rate, it would be 7.1%.

Looking forward, the realistic investor will ask: "Does this capable management have the resources and the vision to build for the stockholders' future?"

At the end of the latest calendar year, here are columns of figures demonstrating balance sheet and related significant items:

	Mil. $	$ Per Sh.
Net Worth ______	$129.2	$58.94
Working Capital __	109.2	49.82
Unfilled Orders ___	372.7	170.00

The substantial proceeds from sale of the sleeping car business five years ago have been drawn on gradually until now practically all are being given productive employment. Every effort is being made to consolidate the program of diversifying the company's interests in supplementary and growing fields.

Recognizing the competitive problem facing the railroads, **Pullman** is not content to be the world's largest builder of railway cars, but through its wholly owned **Trailmobile, Inc.** seeks to capitalize on the expansion possibilities of the truck trailer field. New models offer both weight and cost advantages to customers. The Canadian Trailmobile subsidiary also is expanding.

Operations in the earth-moving and railway track maintenance fields have been handicapped by shortages, but long-term possibilities for broadening these lines are being explored. In the building construction field, metal curtain-wall sections are supplied for large structures, which should become more active as government restrictions are eased.

Potentialities for **Pullman** appear especially impressive in the **M. W. Kellogg Co.** acquired in 1944—with its process development, engineering, manufacturing, and construction assignments spreading into a variety of fields—notably oil and chemical. After completing the world's largest fluid catalytic cracking unit for an oil company, a still greater unit is to be installed. An improved catalytic process for raising the octane number of low-quality gasoline opens added possibilities. Techniques for producing gasoline and other liquid fuels from coal are of special economic significance to countries deficient in crude oil and chemical resources. The interest of the Department of Defense in such work can readily be imagined also. Another item KEL-F (a high-temperature fluorochlorocarbon thermoplastic) is devoted mostly to military purposes at the moment, but is suitable for many peacetime uses. Another example of the far-flung research activities contributing to national defense at present and holding promise of broader utilization in the future involves rocket fuels and engines.

To the extent that facilities are converted to production of ordnance items, profit margins naturally are narrow in this period and are subject to renegotiation (not to mention the problems of income and excess profits taxes). Strike and material shortages also may affect third quarter results. Large backlogs of railway car orders are steadily being worked off. Earnings for the 12 months ending June totaled $4.80 per share.

In the longer run, under reasonably good economic conditions in general, progressive research in a variety of attractive fields offers the investor (already receiving a rather good yield of over 7% in **Pullman**) the possibility of appreciation in principal and income.

CYRUS H. POLLEY

Manager, Corporate Finance Dept., Terry & Company, New York City

Carborundum Co.

In a market characterized by new highs in stock prices but shadowed by inactive trading, investors are seeking a company long in growth potentials. Even in a period of industrial expansion The Carborundum Company of Niagara Falls, New York, stands out as an example of postwar development in the field of abrasives.


Cyrus H. Polley

For over 60 years The Carborundum Company has been actively engaged in the manufacture of abrasives, including grinding wheels, rubs and blocks, and a full line of abrasive cloths and papers. Only six months ago Major General Clinton F. Robinson, a West Point graduate, assumed the presidency of the firm and installed an agressive and growth-minded management. General Robinson was the choice of the Mellon interests of Pittsburgh, the controlling stockholders of Carborundum. Formerly content with a passive role in this industry, the Mellon concern recently directed the interests of Carborundum toward tremendous growth and expansion.

A bright future for Carborundum is guaranteed not only by the high quality of the new management but also by the introduction of valuable new products. This same management recently announced the development of a ceramic fiber "of such fine texture that it can filter bacteria and so heat resistant that it can withstand temperatures that melt cas iron (over 2300° F.)." The potential of this revolutionary substance extends to the present uses of asbestos, for which the United States depends almost entirely upon foreign sources. This new fiber promises to ease the shortage of asbestos for the military defense program.

Although primarily a manufacturer of abrasives, The Carborundum Company has dramatically illustrated its expansion by a contract with the Atomic Energy Commission. This contract calls for the production of zirconium and hafnium metals, ingredients useful in the construction of nuclear reactors, another important link in atomic development.

The financial position of Carborundum is both sound and encouraging to the investor. In the three years from 1948 to 1951 the sales increased from $28 million to $72 million, with the prospect of a further rise in 1952. Currently selling around 31½, Carborundum earned $4.20 a share in 1951 for the low price earnings ratio of less than eight to one. Applying the conservative Mellon policy so often successful in the past, the management reinvested over $21 million in the firm. The net working capital exceeds $24 million. The important relation of current assets to current liabilities is at the exceptionally healthy ratio of seven to one.

The common stock of Carborundum fills every essential requirement as my favorite security. The financial position of the firm is eminently sound, the management is far-seeing and aggressive, and the growth potential of the industry is unlimited. In addition to an extensive and proven range of products, Carborundum is now manufacturing commodities essential to the expanding defense program. Even in the midst of astonishing growth, the common stock of this company continues its high level of earnings and returns an approximate yield of 4½%. The complete and illuminating annual report presents a full insight into both the financial and productive positions of the industry. For the many and varied reasons mentioned above I submit the common stock of Carborundum as my favorite security in the present market.

This Week's Forum Participants and Their Selections

Pullman, Inc.—Fred Messner, Research Department, A. M. Kidder & Co., New York City. (Page 2).

Carborundum Company—Cyrus H. Polley, Manager of Corporate Finance Dept., Terry & Co., New York City. (Page 2).

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Richard B. Fant retired from partnership in Gamwell & Co. August 31.

On September 11 the Exchange will consider the transfer of membership of DeForest Lyon to Francis J. Purcell.

On the same date transfer of the Exchange membership of the late Richard W. P. Barnes to Newell B. Whitcomb, and the transfer of the membership of Herman A. Depperman to Joseph L. Gitterman, Jr. will be considered.

The Economic and Agricultural Outlook

By W. I. MYERS*
Dean, New York State College of Agriculture
Cornell University

Holding general economic outlook for remainder of year is favorable, Dean Myers, also states it will be a difficult period in which to coordinate credit policy and debt management under Treasury-Federal Reserve agreement. Says present economic situation is one of precarious balance, but predicts generally favorable agricultural conditions. Foresees no depression from farm surpluses, but holds it may come from other causes. Concludes farm prices will fall only if general price level declines.

The past year can fairly be characterized as one of moderate progress in international relations and of reasonably stable economic conditions within the United States. Korean truce talks have continued without result, but there has been no extension of war yet. The Iranian situation has worsened, but some progress has been made in building the defenses of Europe. The most important domestic event was the longest steel strike in history, due in part to governmental interference.

W. I. Myers

Several factors have contributed to stable prices in this country. Among them are these: the stretch-out in the defense program both in the United States and in Europe which helped reduce the pressure on industry; consumers' moderation in buying and their increased savings; the leadership of the Federal Reserve System and the cooperation of banks in the restraint of credit; increased industrial production and abundant agricultural output in spite of the bungling of OPS; high taxes, plus a little reduction in appropriations, that resulted in the balancing of the Federal budget on a cash basis for the year ended June 30; decline in production of consumer goods, both textiles and hard goods, offset by increasing defense production and continued high level of private construction of industrial plants and homes.

General Economic Outlook

The general economic outlook for the next year or so is favorable. A gradual, modest improvement in consumer buying provides the basis for optimism in consumer goods industries. Months will be required to regain a balance in steel inventories and attain the pre-strike momentum of industrial production. The trend, however, is upward.

Barring a prolonged coal strike we can expect high levels of production, employment, and national income for the last half of this year and undoubtedly for the first half of 1953.

Increased inflationary pressures in the United States indicate a likelihood of stable or slightly higher wholesale prices during the last half of 1952. The pressure of rising costs, due to higher wages and prices of steel, coal, and aluminum, will spread. The check in industrial production brought about by the steel strike is temporary, but real, and there has been a reduction of inventories at all levels. Then, too, the large Federal deficit will require heavy Treasury borrowing during the remainder of 1952.

The remaining months of 1952 will be a difficult period in which to coordinate credit policy and debt management under the Treasury-Federal Reserve agreement. When the attempt to finance the prospective deficit by a long-term nonmarketable bond issue fell flat in June, the Treasury offered a six-year 2⅜% bond which was heavily oversubscribed. These bonds were primarily attractive to banks and it was expected most of the $4¼ billion issue would be bought by banks sooner or later.

During the war years it was evident that financing the Government deficit through the banking system was inflationary, and we have continued to emphasize the desirability of borrowing from nonbank sources to finance such deficits. This is always good advice for, while Treasury borrowing from banks is not automatically inflationary, it is likely to work in that direction because of pressure on the Federal Reserve banks which it causes.

When a bank invests in Government bonds, reserve funds are tied up that might otherwise be used to expand loans or buy other securities. Hence, unless the Federal Reserve banks make more reserves available, such purchases put a strain on the banking system. It is the availability and cost of reserve funds from the Federal Reserve banks that largely determine the inflationary consequences of such financing.

More Borrowing From Federal Reserve

In the last two months the reserves needed by banks to finance increased loans and purchases of Government bonds have been obtained primarily by borrowing at the Federal Reserve banks, and

Continued on page 24

*Summary of a talk by Dean Myers before the Graduate Bankers Agricultural Seminar, Ithaca, N. Y., Aug. 25, 1952.

INDEX

Articles and News Page

Regular Features

* Mr. May reports this week from Mexico where he is covering the Annual Meetings of the International Bank and Monetary Fund.

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Not a Golden Calf but a Sacred Cow

By IRA U. COBLEIGH

Author of "Expanding Your Income"

After several thousand years, gold is still the world's favorite metal. Whether in your teeth, or in deeper cavities in Fort Knox or South Africa, it is forever sought and bought. Everything seems understood about it but its price — which we'll talk about today.

If you will refer to Exodus XXXII, you will note that when Moses came down from the mountain, he was so mad at the children of Israel for making and worshipping a golden calf that he broke the stone tablets (containing the Ten Commandments) he was carrying at the time. Unfortunately, the Ten Commandments have, in this sinful world of ours, been broken millions of times since, but we have departed from the worship of a golden calf. But gold, as a metal, remains "Sacred Cow"—untouchable. Alone of all the metals in the world, its official price is still unchanged for 18 years in a row —$35 an ounce since 1934. From cloistered economists down to ignorant prospectors, there is a never ending discussion as to why this should be. No price fixing or fair trade law has ever been so inflexible or ecumenical. Chevvies, Fords and Plymouths have moved from $1,000 up to $2,000 in the same period; the prices of roosters, reptiles and ranch houses have all doubled, but not gold. And even when it did advance, back in 1934, from $20.67 to $35 an ounce (Troy) nobody could then or now give you anything but a capricious reason for the selection (and retention) of the latter price tag.

Ira U. Cobleigh

Certainly the cost of mining gold has gone up 70% since 1939. Rising costs elsewhere have led to higher prices—but not gold. Over 50% of the operating cost of a gold mine is labor and nobody thinks for a moment that the price of labor is headed downward.

World Needs Gold

The world needs a lot more gold for backing up its various monetary circulations. In 1939 Western Countries had roughly 40% in gold for their outstanding currencies—today only 20%. And the basic reason a lot more gold is not being brought to light of day is that the price is wrong! Moreover, of existing production only about 20% is going into national treasuries. In 1951, about $900 million of new gold (@ $35 an ounce) was mined. Of that, $350 million was gobbled up by hoarders, another $350 million went into industry (cuff links, teeth, gold plated pens, rings, bracelets, etc.) and only $200 million to treasuries at the official price.

In other words, 80% of the gold mined last year traded away from the official price, and at various "black market" prices, was acquired by avid buyers anywhere from $42 to $70 an ounce. Further evidence that gold seems to be a most cherished possession; and that the official price is unrealistically low.

True, as a sort of sop to gold production, some subsidy has been given to marginal extractors, notably in Canada; and some grudging permission has been given to mines to sell a certain precentage of gleaned gold at the higher nonmonetary world prices available. But nothing has been done for almost a score of years to relate the official price of gold to the cost of its production.

People all over the globe would perhaps be less fervid in their purchase and hoarding of dust, bar, or napoleon, if they had more confidence in "managed" currencies. Inflation and wobbly paper money have suggested repeatedly the wisdom of returning to purse padding paper, convertible into gold. Before that important and commendable step is taken, however, it is quite requisite to elevate the official gold price. In some support of this view point, may I quote a paragraph from his address to shareholders of Andre Dorfman, Managing Director of Kerr-Addison Gold Mines, Ltd., delivered at that company's annual meeting April 21, 1952.

"To sum up, from conversations I had with many authorities on money matters, my conviction is strengthened that all governments will, in due time, agree to an increase in the price of gold and to the convertibility of currencies."

Mr. Dorfman is no peasant in these matters; on the contrary, his opinions and judgments in this field are highly respected.

Which brings us down to immediate aureate prospects. Specifically, will the International Monetary Fund, which is meeting now at Mexico City, do anything about hiking the official gold price? Last year (Sept. 29) the same august body formally recognized that there existed a higher "industrial" price for gold, and dropped any "moral restraints" upon any of its 50 members from selling gold in that market. This year what? No action? $43.50 an ounce? $50? Who knows? There's only one certainty—the price of gold will not go down!

Gold Shares as Investments

With this minimum assurance to go in, a great deal can be said in favor of gold mining shares as defensive investments today. If a depression should descend upon us, it is nice to remember that the only stocks you could have bought in September, 1929, and sold in 1933 at a profit, were gold shares; and when gold was mysteriously whisked from $20.67 to $35 in 1934 it was no saga of goldy-stocks and the bears! Some gold shares advanced several hundred percent in that period when dollar convertibility dropped dead, and if you didn't turn in your gold coins you were a criminal (and still are).

So, since gold stocks seem to have a pretty solid floor under them (they have not shared in 1952 general market advance) and a number of mining companies have obviously been holding back a lot of choice ore, waiting for higher prices, let's look at a few.

There's quite a selection. You can pay a few pennies a share for openers here, or you can buy stable old line producers like Homestake, at 37, leading U. S. producer, or McIntyre Porcupine, at 78, which combines a fine gold mining enterprise with marketable investment portfolio valued above $45 a share.

Some "Golden" Prospects

Nearly all gold fanciers seem to agree that **Kerr-Addison Gold Mines Ltd.** is one of the best of the Canadians. At March 24, 1952, ore reserves were estimated at a fabulous figure—16,700,000 tons—of an average grade .2531 ounces to the ton. This comes to $8.86 a ton, with gold at $35 an ounce. (1951 total costs including depreciation and taxes were $5.23 per ton milled.) Figure for yourself how profitability would soar, with, say, $45 gold.

Kerr-Addison is reported to have the lowest labor cost per ounce of any major producer. This is a tribute to excellent management. Kerr-Addison earned 84.5 cents on each of the 4,730,301 common shares outstanding and paid, 80c. Presently quoted at 18¾ this interesting gold equity pays a little better than 4%—giving some solace to you for the time you may spend waiting for higher gold prices, or new findings of ore reserves, as they probe down to 4,000 feet in this quite amazing mine. (Present estimates of subterranean gold are only for the top 2,500 feet.) Both Noranda and Anglo-Huronian, sagacious collectors of gold equities, are large holders of Kerr-Addison.

For wider diversification of your gold fields may I refer you to **Frobisher Ltd.** The 5,504,478 shares of this enterprise listed in Toronto at around $7.60 give you a call on three major Canadian mines, Giant Yellowknife (37.83% owned), United Keno (33.75% owned), New Calumet (28.76% owned), plus the Connemora Mine in Southern Rhodesia (100% owned). Frobisher has recently branched out into oil through its 50% interest in Williston Oil and Gas Co. Just the publicly held securities in portfolio have a market value of over $9 a share. For an across the board cut at profitable gold production, look into Frobisher.

At a lower price, you might like to investigate a smaller producer with some 1,411,584 tons of reserve ore estimated, grading at .188 ounces to the ton—**MacLeod Cockshutt Gold Mines, Ltd.** For the year ended Sept. 30, 1951 $532,117 net was earned, and $286,249 paid here in dividends on the 2,862,490 shares extant. They sell around $3.25. This is, of course, a far smaller and more marginal producer than Kerr-Addison, receiving a Dominion subsidy of $185,000 for 1951. But a somewhat higher cost mine like MacLeod could develop a lot of leverage for profit or market gain if or when gold price lifts.

Dome has long been a favorite and has appeared well bought recently on the NYSE around 22¾. Here a relatively small capitalization (for a gold mine), only 2,000,000 shares, applies to the ownership of the long established Dome mine, controlling interest in Sigma Mines, shares of Campbell Red Lake an up and coming producer and, on the side, a 25% interest in Dome Western Explorations, well managed West Canada Oil drilling enterprise. Dome seems pretty likely to come out on top!

Take Your Pick

In general terms, there are really three ways to buy gold shares; first, and riskiest the exploring or developing companies—little or no actual production and no mills. In this group would come companies like Arjon, Laduloma and Newlund. Second would come producing companies like Kerr-Addison, MacLeod, Lake Shore, Elder, Giant Yellowknife, Hollinger, and Wright-Hargreaves. Third come the holding companies like Frobisher, Anglo Huronian, Noranda and Mining Corporation. Get the annual reports before you even consider any, however. Look for reserves, costs and quality of ore.

It has been a time honored axiom that profit in securities comes from buying when no one else wants 'em. If that's true, gold shares should perhaps be on your shipping list right now. They have, with few exceptions, moved but slightly in the last year. If killing sacred cows might keep thousands of Indians from starvation, then killing the "sacred cow" price of $35 for gold might bring steak and prosperity back to mine owners! The official price will surely advance some day; and purchase of likely gold shares before that golden day, might not seem amiss.

Eppler, Guerin Adds

SAN ANTONIO, Texas—William B. Eppler, Vice-President of Eppler, Guerin & Turner, has announced the appointment of Cecil D. Puryear as an associate of the firm in San Antonio.

Mr. Puryear comes to Eppler, Guerin & Turner from the Goodyear Tire and Rubber Co., Inc., in San Antonio.

COMING EVENTS

In Investment Field

Sept. 4, 1952 (New York City)
Security Traders Association of New York Bowling season opens at the City Hall Bowling Center.

Sept. 5, 1952 (New York City)
Security Traders Association of New York Outing at Richmond County Country Club, Dongan Hills, Staten Island.

Sept. 11, 1952 (Omaha, Neb.)
Nebraska Investment Bankers Association annual Field Day at Omaha Athletic Club; golf, luncheon and dinner at the Omaha Country Club.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

Sept. 26, 1952 (Rockford, Ill.)
Rockford Securities Dealers Association annual "fling-ding" at the Mah-Nah-Tee-See Country Club.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 2, 1952 (New Jersey)
Bond Club of New Jersey member-guest Dutch treat Golf Day and Beef Steak Dinner at the Essex County Country Club, West Orange, N. J.

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

Oct. 8-10, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Ambassador Hotel.

Oct. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 24-27, 1952 (Havana, Cuba)
National Security Traders Association Convention tour.

Oct. 31, 1952-Nov. 2, 1952 (Hot Springs, Va.)
Fall Meeting of Southeastern Group of the Investment Bankers Association of America at The Homestead.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

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 for the nation as a whole moved slowly upward the past week as many plants continued to recover from the effects of the recent steel strike. Output failed to show any considerable variance from the like week of 1951 but was nevertheless moderately under the all-time high reached during World War II. It was reported that claims for unemployment insurance benefits held higher than the year before.

The shortage-stung steel consumer may have to beg for his metal for the rest of this year but he will probably see supply swing into a reasonably satisfactory balance with demand by the end of the first quarter of 1953, reports "The Iron Age," national metalworking weekly, the current week. It further states that from the second quarter on, the nation's fast-sprouting steel production capacity will act as formidable interference in pushing shortages aside.

Steel producers, it observes, now feel that government controls on their production will not be justified after the first quarter in view of the expected easing market. Few in the industry doubt that mills, besieged by rush orders today, will be looking for customers on most of their products by the end of the second quarter.

Unusually high inventories before the strike were dropped from an estimated 18 million tons to about 8 million tons when the strike ended (exclusive of warehouse stocks), this trade authority notes. This 18 million tons of steel items stacked in manufacturers' plants tells why metalworkers did not rush into the market in the initial phase of the strike. Experts say that a comfortable inventory today should be 14 million tons.

During the rest of 1952 only 2 million tons will go into inventory, industry sources believe. This is contrary to more glowing government estimates running as high as 4 million tons. The industry believes that 14 million tons (a "normal" inventory) may be in manufacturing industry's hands at the end of the first half.

Behind this massive production push to offset grevious strike losses of steel is the industry's greater capacity. It now tops 112 million ingot tons—as compared with 108.5 million tons last Jan. 1.

Automobile producers are having a field day of optimism over future steel supply. Many of them believe that the shortage will evaporate by the early weeks of 1953 and that supply will ease steadily this year. Steel producers, regarding large defense set-asides (especially in bars and plates), can't see eye to eye with Detroit, this trade magazine points out.

From some quarters of manufacturing industry resentment was focused on Office of Price Stabilization's half-a-loaf order permitting pass-through of higher costs for steel, aluminum, copper. The OPS order made no provision for higher costs in wages and transportation—factors of substantial importance when a manufacturer reckons his production costs, concludes "The Iron Age."

In the automotive industry, production returned to "pre-steel-strike strength" last week with 95,032 units turned out.

This was 14% more cars than the 83,065 made last week, according to "Ward's Automotive Reports." In the like week a year ago 102,255 cars were assembled.

General Motors Corp.'s division sparked the week's gain, the agency said, by producing 7,000 more units than the previous week. Two Chevrolet plants resumed operations and Buick-Oldsmobile-Pontiac plants outside Michigan went on full-scale runs.

Chrysler Corp.'s production advanced to 21,000 cars from 18,000 last week despite "slow steel receipts."

Nash and Mercury were still lagging in the return to pre-strike output rates, while Studebaker remained on four-day operations because of continued steel shortages.

"Ward's" said August production was 247,000 cars and 63,000 trucks, compared with only 159,563 cars and 34,226 trucks turned out in "strike-torn" July. It predicted a 474,000-car production total for September, the highest since June, 1951, as the makers try to recover lost ground.

Continued on page 24

Fruits of Socialism

WASHINGTON, D. C.—Socialism is like a high tension wire. Once you grab hold of it, you can't let go.

This simple lesson can be learned by taking a searching look at the new mutual defense treaty negotiated by the United States, Australia and New Zealand.

The Chamber of Commerce of the United States reports that the people of New Zealand are still paying heavily for socialism, despite the fact that they voted the socialists out of office two years ago.

The New Zealanders, it seems, are contributing only $70 million as their share of mutual defense in the Pacific — out of a total budget of about $590 million. One of the principal reasons why they can't spend more is that almost half their entire budget — about $273 million — must be used to meet the continuing costs of the welfare programs which the socialists inaugurated and left in their laps.

As a result, the United States will have to assume the lion's share of the financial burdens growing out of the newly-formed alliance.

The National Chamber concludes that the New Zealanders have learned that once you yield to socialism, you've got it, and you can't even vote it out of your life.

Federal Debt to Rise By $8,400,000,000

The Federal Government began the 1952-1953 fiscal year in July with a budget deficit of $3,426,000,000 for the month. This was considerably larger than the deficit of $2,168,000,000 in the first month of the last fiscal year, and provided the first definite evidence, says the Alexander Hamilton Institute, that the total deficit in 1952-1953 would greatly exceed the $4,017,000,000 deficit in 1951-1952.

The present prospect is, however, that while this year's deficit will be substantial, it will be smaller than the one anticipated last January. The Administration now expects that the 1952-1953 deficit will amount to $10,300,000,000 or $4,100,000,000 less than its earlier estimate of $14,400,000,000.

It is expected, however, that the estimated deficit of $10,300,000,000 in 1952-1953 will not cause a corresponding increase in the debt, apparently because of the fact that part of the deficit will be met by withdrawing funds from the Treasury, which amounted to the relatively high total of $7,925,000,000 at the end of July. It is estimated that the debt will show an increase of $8,400,000,000 during the current fiscal year, bringing the total on June 30, 1953 to $267,505,000,000, or $7,414,000,000 less than the amount predicted last January.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Theodore Cheng is with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bryon D. Fahy is now connected with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Leo Schoenbrun Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edwin O. Blalock, Jr. is now connected with Leo Schoenbrun, 1385 Westwood Boulevard.

International Fund and Bank Meet

By A. WILFRED MAY

Likely course of the monetary leaders' discussion and ensuing action. Bank will soon offer new issue.

MEXICO CITY, Mex., Sept. 3—Indications of the course of the capacity-attended seventh annual meetings of the Bretton Woods' organizations beginning here promise the highlighting of the various countries' economic ills, rather than adoption of major new action by the institutions. In the sphere of the International Monetary Fund much of the interest, thus far voiced in the corridors, but about to come out in the open, is occupied with complaints over its alleged stinginess. The Institution's changes in the rules during the past year would, it was and still is hoped, result in expanded lending, but this has not developed yet, chiefly because of the U.S.-instigated insistence on the sound prerequisite of would-be borrowers first restoring sound internal economic policies.

A. Wilfred May

There will be voluble demands for revaluation of gold, as well as for a free market in newly-mined gold, all of which will be brushed off without real debate under United States' leadership.

A vigorous attempt will be made, through informal discussion off the official agenda, to work out an arrangement between Washington and Brazil on the latter's serious exchange problem, including the clearing up of arrears and establishment of machinery for prompt future remittances. In authoritative quarters it is forecast that the fund will help out on Brazil's old debts if the country only cooperates in getting its house in order.

Rumors about agitation for a new loan to Great Britain are without foundation at this time—or in fact at any time during the Washington lame duck period before Nov. 2, or perhaps Jan. 20, next.

Under present conditions the fund will remain in great part a useful instrument for stimulating potential borrowing countries into instituting needed economic reforms.

Both the Fund and Bank's discussions will include the threat of a Russian propaganda show. The Governor for Czechoslovakia, who is reported to be speeding here, will propose exclusion of the Kuomintang group from all organs of the Bank and the Fund.

International Bank Doings

Suggestion for a so-called International Finance Corporation to be established as an affiliate of the International Bank, which is being explored by the Bank's staff in cooperation with the UN's Economic and Social Council, is eliciting considerable interest in preliminary discussions. This new corporation would seek to interest private investors, both domestic and foreign, in favorable opportunities for profitable enterprises and would help finance private undertakings by equity investment or loans made without governmental guarantee. Some major countries, including the United Kingdom, as well as the underdeveloped areas, are evincing considerable interest in such a program. While the Bank's directorate is protesting strict neutrality on the plan, its continuing investigations are implying approval which is in contrast to the attitude of the United States authorities.

It is difficult to grant the justification of this plan or of a kindred one for an intra-European equity investment institution, in the absence of the removal of currency restrictions and the prospect of convertibility.

Also to be discussed with the Governors here will be the Bank's need for nondollar resources for lending.

Prospective New Issue

In any event, meanwhile, the Bank will sell a new issue of U.S. dollar bonds in the early fall, to the tune of $50 to $75 million through a nationwide underwriting syndicate managed by the First Boston Corporation and Morgan Stanley. While President Black has given no indication of the terms, the forecasting here centers on a 30-year maturity and an interest rate of 3⅜%.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Myron E. Hamm has become associated with King Merritt & Co., Inc. He was formerly Sacramento representative for Wilson, Johnson & Higgins.

Stormy Weather for Stock Options

By ARCH PATTON
McKinsey & Company
Management Consultants

Asserting recent Delaware Court decisions have made stock options vulnerable to legal attack by disgruntled stockholders, Mr. Patton holds from one-third to one-half of outstanding stock options plans are probably under suspect. Says decisions require objectives of stock option plans to be defined more clearly, and "adequate consideration" must be manifested. Reveals results of study of provisions of outstanding stock option plans.

Recent decisions of the Delaware Court unfavorable to the stock option plans of two companies have raised the ominous specter in legal circles that a substantial proportion of the 200-odd stock option plans set up in the past few years will be vulnerable to attack by disgruntled stockholders.


Arch Patton

In effect, the Delaware Court held that neither stock option plan under review provided the company with sufficient "consideration" for the valuable option rights offered the executives involved. These decisions were, as a partner in one large law firm put it, "a real shock to the legal profession." But they were predicated on a point of law as fundamental as the Constitution of the United States, namely, that when something of value is given, some consideration should be received.

Question of "Adequate Consideration"

The decision of the Delaware Court does raise the question as to what constitutes "adequate" consideration in return for a stock option. The problem of seeing to it that both the company and the executives benefit from an option plan becomes somewhat involved when executives also dominate the directorate. "Arm's length" bargaining gets to be a little difficult under such conditions. From one-third to one-half of the stock option plans in existence are probably suspect under the ruling of the Delaware Court. The decision requires architects of stock option plans to define their objectives more clearly.

The Court seems to be applying a simple yardstick: Does the plan require or motivate the optionee to contribute to the profits available to all stockholders? In one case the Court mentioned an employment contract which actually retained the service of an employee who would otherwise have left as an acceptable "consideration." Voiding the option rights in case the optionee left the company was also cited as an example of "consideration" because the provision tended to retain the services of the employee.

Lawyers say that plans adopted primarily to provide incentive to executives should have little difficulty in meeting the legal requirements for "consideration." For example, what is more logical than for a company to insist that the option may be exercised only after a year has passed? This tends to ensure the continued employment of the executive optionee. For the same reason, the option may well provide that not more than 10% of the option may be taken up in any given year if a ten-year option is involved.

From the same point of view, at least one well-thought-out plan I have been consulted on provides that half of the option must be taken up in one-half of the option period; otherwise it is forfeit. The reason for this, obviously, is to put the pressure of time on the executive to produce results. A more recent innovation is to provide that the stock may not be taken up by the optionee unless its price has risen a specific percentage above the option price. In other words, if the option price were $20, the option agreement might provide that the stock would have to rise to above $25 a share before the option would become valid. This ensures stockholders of reasonable value in exchange for the dilution of their equity.

Objectives of the Stock Option Device

Some of the criticism of stock option plans unquestionably stems from a misunderstanding of the objectives and results of the option device. In questioning the ethical basis of stock option plans, for example, an economics professor made two points in a recent article: (1) That the presence of stock options may act as a market depressant, (2) hence new capital will eventually be denied such companies. He also questions whether the movie industry, fighting for its existence against the competition of television, has any right to dilute its equity by giving stock options.

His point of view overlooks two important facts about stock options. The first is that the market value of the stock has to go up rather substantially before the executive will find it materially to his advantage to exercise the option. The point is that the interested executive must increase the earnings of the company sufficiently so that investors will pay substantially higher prices for the stock, *including the unissued shares which may be optioned to executives.*

On this basis, it is beside the point to talk about denying capital to a company because of outstanding options. Similarly the professor overlooks the fact that to survive television's competition, the movie industry must motive its executives to increase the earnings of their companies. Only if executives of these and other companies do this, will their options really be valuable.

During the two years since restricted stock options became legal, more than 200 companies—one out of every six listed on the New York Stock Exchange—have taken advantage of this incentive vehicle.

A little less than a year ago, McKinsey & Company made a study of the first 100 option plans to be adopted. Subsequently, in November 1951, the Salary Stabilization Board issued a regulation which provided that, under certain conditions, stock options were not to be considered as compensation. This meant, in effect, that options were one of the few means remaining for management to provide executives with an incentive that was not subject to the salary freeze.

Following this Wage Stabilization Board regulation, a second wave of stock option plans was noted among companies wishing to stimulate executive productivity. The writer undertook a study of these additional plans, and correlated the new data with the findings of a year earlier.

Although the stock option as an incentive device is relatively new, and even experimental, some more or less clearly defined practices are beginning to emerge from the substantial body of information we have about these option plans.

Broad Provisions of Stock Option Plans

Study of the 200-odd plans shows that every company has a different set of problems when it comes to incentive compensation for its executives; and no two companies seem to meet their problems in precisely the same way. This explains the wide divergence in company practices, as summarized here.

(1) *Stock optioned:* The amount of stock set aside for optioning to executives varied as follows:

Percentage of Outstanding Stock to Be Optioned	Number of Companies (% of Total)
2% or less	19%
3-4%	26%
5%	22%
6-8%	19%
Over 8%	14%

(2) *Option Period:* Option periods appear to be growing longer. Nearly half the plans studied call for 10-year options. A year ago, only a quarter of the plans called for options of this length. A stock exchange ruling extending the permissible terms of a stock option from seven to ten years may be one of the factors involved.

At present, one-quarter of the plans are for periods of five to ten years and another quarter are exercisable in five years.

(3) *Option price:* The Salary Stabilization Board ruling that options for less than 95% of market price constitute salary raises has made that percentage the most popular one. A year ago, one-third of companies adopted the 95% of market price; now more than half use this figure. The number choosing 85% of market has dropped from 25% to 15% of companies surveyed. Then as now, a quarter of the companies call for options at 100% of market.

(4) *Number of executives included:* Over 40% of the option plans reporting on this factor included 50 or more executives. An equal number covered between 15 and 50 executives, while 20% included 15 or fewer executives.

(5) *Maximum number of shares in a single option:* Forty percent of the plans limited the number of shares in a single option to 5% of the bloc set aside for optioning. Another 31% set the limit at 10%, while 16% limited a single option to 15% of optionable shares. The rest permitted single options of more than 15%.

(6) *Restriction on option exercise:* An increasing number of plans placed restrictions on the exercise of options. One popular restriction was to limit the number of shares an executive could buy in a given period. This normally provided for a cumulative exercise—such as 10% per year —designed to spread the incentive value of the option over the life of the option itself.

New Yardsticks for Determining Probable Course of Stock Market

By ROGER W. BABSON*

Mr. Babson, in revealing changes which have occurred in field of stock market and business forecasting, holds the new bases for stock market prices are dependent on: (1) the amount of cash or credit available for purchase of stocks; (2) the public's attitude toward buying or selling stocks; and (3) the extent labor is gaining in its determination to secure greater share of business profits.

I have been asked to speak on the Stock Market and Business Forecasting at which I have been engaged for over 40 years. During this time I have seen great changes. Preceding the years of the New Deal we depended upon such subjects as Crops, Failures, Money Rates, etc., which were infallible barometers for the long pull. Since the farmers have had their crops insured, and since the RFC has prevented large failures, and since we have Managed Currency in place of the Gold Standard, these old barometers are of little use. Take Failures for instance. These are less than they were 20 years ago, and yet the total business of the nation has been multiplied three-fold. If we were under the Gold Standard, Call Money Rates today would be 6% instead of 2½%. I might give many other illustrations.


Roger W. Babson

Basically today stock market prices appear to be dependent on a correct answer to the three following questions:

(1) Is the Cash, and/or Credit, available for the purchase of stocks, increasing or decreasing?

(2) Is the public's desire to purchase stocks increasing or decreasing?

(3) To what extent is Labor gaining in its determination to secure a larger percentage of profits?

Hence, the ability to forecast the Stock Market is to collect reliable data which will enable us to correctly answer the above three questions. On the other hand, we do have much help today from the Federal Reserve Bank, the Securities and Exchange Commission, the Statisticians of the Department of Commerce, and other sources which did not exist before the days of the New Deal. Forecasts cannot be made today for so long a period ahead as was possible under the old system, but they can be made just as accurately for a short term, pending some unforeseen catastrophe such as a sudden outbreak of World War III.

*A statement by Mr. Babson at the Summer Conference of "Boom or Bust," New Boston, N. H., Aug. 29, 1952.

Theodore Young With J. Arthur Warner Co.


T. R. Young

Theodore R. Young, formerly of Theodore Young & Co., has joined J. Arthur Warner & Co., Inc., 120 Broadway, New York City, in their Trading Department.

Unsubscribed Motorola Stk. Publicly Offered

Of the 175,921 common shares (par $3) of Motorola, Inc., which were recently offered for subscription by its common stockholders, 173,670 shares were subscribed for at $31.50 per share up to 3 p.m. (EDT) on Aug. 25, the expiration date of the rights.

The remaining 2,251 shares were taken up by the underwriters, headed by Hickey & Co. (Inc.) and reoffered by them.

The net proceeds are to be added to working capital.

Point IV in Latin America

By C. O. ROWE
Vice-President, Institute of Inter-American Affairs
An Agency of the Government of the United States

Mr. Rowe, in explaining implementation of Point IV Program in Latin America, points out it is a cooperative project, in which the benefited countries contribute. Reveals program of technical assistance and grants made for training in research and development of agriculture, industry and natural resources. Describes work of "Servicio," which is the operating agency for Latin American technical assistance. Claims success for Point IV Program in Latin America.

As their standard of living improves, the free peoples of Latin America become better suppliers of their own domestic needs and more generous participants in world trade.

C. O. Rowe

Perhaps United States-Latin American trade statistics may be significant. The yearly average value of U. S. exports to Latin America in the period 1936-40 totaled $537,100,000 while the yearly average of U. S. imports from Latin America was $552,800,000. By 1951, the value of U. S. exports to Latin America had risen to $3,744,000,000, and the value of U. S. imports from Latin America amounted to $3,346,700,000.

Technical Assistance Helps

The cooperative technical assistance program in Latin America has sought to give great numbers of people better living and working conditions and to make them more productive. This program, which blazed the trail for Point IV in other areas of the world, has been going on for 10 years. It is directed by The Institute of Inter-American Affairs, representing the United States Government.

From its beginning, this program has functioned at the grassroots level. It was designed to help the governments and the people of the other American republics to help themselves. Its chief purpose has been to teach people how to fight disease, how to install needed sanitary facilities, how to grow more and better food, how to improve their rural elementary schools, and how to develop simple vocational skills.

The Institute of Inter-American Affairs, now Latin American Regional Office for the Technical Cooperation Administration and thus responsible for supervision of all Point IV activities in that area began 10 years ago to work hand in hand with Latin Americans who were striving to solve their own most pressing problems.

Cooperation Is the Keynote

The Point IV program in the other American republics is truly cooperative. Projects are initiated at the request of the government of a Latin American country. These projects are based upon an agreement between the appropriate Ministry of the Latin American government and The Institute of Inter-American Affairs, representing the United States Government. This agreement clearly defines what the project includes and delineates the responsibility of each government in terms of contributions, both money and manpower.

In 1942 when the program first began, the United States furnished a major portion of the operating funds as well as most of the technical know-how. The Latin American share of the cooperative fund has increased steadily, however, until in 1951, the Latin American countries were contributing $3 for each $1 put in by the United States. The ratio of contributions runs all the way from one to one in the case of some programs in a few Latin American countries all the way up to $13 contributed by Brazil for its health and sanitation program to every $1 contributed by the United States.

On June 30, 1952, there were about 650 United States technicians working in Latin America, while more than 14,150 Latin American nationals were engaged in the program. United States technicians supervise the setting up and the operation of each project until such time as nationals of the Latin American country assume complete responsibility for it. An important part of the Point IV program in Latin America is the training of Latin American nationals to take over the operation of individual programs. In cooperation with other United States Government agencies, The Institute of Inter-American Affairs regularly makes grants to qualified Latin Americans for additional training in the United States, or elsewhere in certain cases.

Training Is Emphasized

During the first 6 months of 1952, a total of 655 training grants were approved. They were distributed among the various fields in which the program operates as follows:

For research and development in agriculture and natural resources, 195 training grants were approved in fields including agricultural mechanization, grain storage, fuel technology, entomology, fisheries administration, forestry, economic geology, agricultural statistics, rubber research irrigation, and soil conservation. The Division of Government Administration and Technical Services of the Institute approved 248 training grants during this same 6-month period. These included, among others, trainees in the fields of census taking and statistics, mapping and surveying, industrial chemistry, budget and finance, personnel management, civil aviation, highway construction, and transportation and communication. Grants in the field of rural elementary education and vocational education totaled 79. In the fields of health, welfare, and housing, 133 training grants were approved, the group including doctors, nurses, sanitary engineers, social workers, industrial hygienists, health educators, and laboratory technicians.

Other Government Departments Help

In administering the Point IV program in Latin America, the Institute makes full use of the technical advice and assistance of the various departments and agencies of the United States Government. In addition to the basic programs in health and sanitation, food supply, and education, which have been going on for 10 years, the Institute, with the help of technicians from 15 other agencies, now administers a program whose scope includes technical assistance in developing natural resources, housing, transportation and communication, public administration, and other basic economic activities.

For example, the Department of Agriculture provides technical assistance in all phases of agriculture.

The Department of Commerce provides technical assistance and training in civil aviation, maritime administration, statistics, highways, government weather services, testing and standards, mapping and surveying, patent office organization, and small industry development.

The Department of Labor provides technical assistance in the fields of industrial safety, labor law administration, apprenticeship training in various industries, labor-managment relations, labor standards, and workers' education. While the major portion of the Department of Labor's activities will be in training, technicians are scheduled to work in Haiti and El Salvador.

The Smithsonian Institution is cooperating with the Institute through a contract made by IIAA with the Smithsonian's Institute of Social Anthropology. The latter organization is doing research in Latin American cultural patterns in an attempt to discover better means of communication and understanding between nationals of the other Americas and United States technicians.

The Department of the Interior is directly concerned in the Institute's training program through arrangements made for sending Latin Americans representing many fields to Puerto Rico for training. It is also assisting in the fields of geology, minerology, hydroelectric power, sources of water supply, reclamation, and land management.

Through the Office of International Relations of the Federal Security Agency, the Institute deals with the Social Security Administration, the Public Health Service, and the Office of Education. These agencies assist in the technical phases of health, sanitation, social and child welfare, vital statistics, vocational rehabilitation, and general and vocational education.

The Housing and Home Finance Agency is concerned with the Institute's program in the fields of housing design and construction, building materials production and use, town planning, and community organization. It assists with trainees in these fields.

The Bureau of the Budget handles the trainees in Public Administration. Included in this general category is training in such fields as fiscal and personnel administration.

The Servicio Is the Operating Tool

The operating agency that plans and administers the various Latin American technical assistance projects in the several fields in which the program functions is called a Servicio.

The Servicio is organized as an integral part of the appropriate Ministry in the government of the Latin American country and is substantially similar to a bureau in one of the departments of the government of the United States. The Director of the Servicio is usually the Chief of Field Party sent by The Institute of Inter-American Affairs to that particular country to represent the United States in the cooperative program. He serves simultaneously in two capacities. He is Director of the Servicio, answerable to the Minister of the Latin American country, and also Chief of Field Party, answerable to the American Ambassador and to the Institute. Some of his staff members and the technicians working with him are United States citizens; the others are nationals of the Latin American country.

The cooperative technical assistance program in Latin America began in 1942 under Nelson Rockefeller, Coordinator of Inter-American Affairs. At that time the United States was desperately in need of strategic materials which were necessary to protect free peoples of the Western Hemisphere but which had been cut off by enemy action in both the Atlantic and the Pacific. The one remaining source of some of them was in the countries of Central and South America. These countries in turn realized that they needed financial help and technical know-how in order to improve the health and productivity of their people, develop their natural resources, and raise their standard of living.

Program Concentrates on Basic Essentials

In its work in Latin America during the past ten years, the Institute has concentrated on the basic essentials. This has meant, in the case of the health and sanitation program, emphasis on providing safe water systems and adequate sewage disposal systems; construction and equipping of hospitals and health centers; control of specific diseases such as malaria, yellow fever, yaws, and the dysenteries; environmental sanitation; health education, registration of vital statistics, and the training of medical, engineering, and nursing personnel. The education program has confined itself chiefly to elementary education, vocational training, and teacher training. The agricultural program has concentrated on the development of an adequate food supply; the introduction of better plant and animal varieties; soil and water conservation; agricultural extension work; the introduction of better tools and methods of cultivation; the organization of basic agricultural statistics; training in better nutrition, and personnel training.

Within the Latin American countries, 80% of the population is dependent on farming or cattle raising for a livelihood. Farmers often cannot produce food enough for themselves and their families, much less a surplus for their neighbors or for export. Thus in spite of the fact that Latin America has long been a supplier of foods such as sugar, meat, and coffee to world markets, hunger has been a common condition of a large share even of the agricultural population.

Million Farmers Benefit

Through the agricultural extension work carried on by the Servicios, probably a million farmers have learned to improve their farming practices and increase their yields, thus improving their own standards of living. Furthermore, through work in which the Institute cooperates, thousands of extension workers and other agriculturists have been trained to carry on such work.

The program of the Agricultural Servicio in Paraguay is a good example of the work being done in all countries in which an agricultural program is functioning. In Paraguay, prior to 1947, there was neither a commercial nor a governmental source of seeds. Each year the best crops

Continued o npage 30

Dealer-Broker Investment Recommendations & Literature

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

Common Stocks for Investment—Suggested list arranged by industries—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a bulletin of "Rail Briefs" featuring **Seaboard Air Line, Florida East Coast, Missouri-Kansas-Texas, Reading Company** and **Central Railroad of New Jersey.**

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **City of Philadelphia and Philadelphia School District Bonds.**

Insurance Stocks — Tabulation of operating results for six months ending June 30, 1952—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y. Also available is a tabulation of operating results for the six months ending June 30, 1952 for **Bank Stocks.**

Mutual Fund Data—Bulletin tabulating statistics on the various funds—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Public Utilities — Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Retail—Ideas—In current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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Allis Chalmers—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

American Gas & Electric — Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Dayton Power & Light, Southern Indiana Gas & Electric** and **West Penn Electric.**

C. I. T. Financial Corp.—Report in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a report on **Washington Water Power Company** and a suggested list for Portfolio.

Copeland Refrigeration Corp.—Circular—J. Roy Prosser & Co., 11 Broadway, New York 4, N. Y.

Dun & Bradstreet, Inc.—Memorandum—Smith, Barney & Co., 11 Wall Street, New York 5, N. Y.

General Dry Batteries—Circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is material on **Gerotor May** and **Giant Portland Cement.**

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

International Bank for Reconstruction and Development—Resources, Earnings, Market Action and Growth—Brochure—The First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Bankers Trust Company.**

Mississippi Valley Public Service Company—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Time, Incorporated.**

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Nuclear Instrument & Chemical Corp. — Circular — Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Otter Tail Power Co.—Analysis—J. M. Dain & Company, 110 South Sixth Street, Minneapolis 2, Minn. Also available are comprehensive reports on **Red Owl Stores, Inc.** and **Winston & Newell Company.**

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Central Maine Power.**

Puget Sound Power & Light Co. — Report—Pacific Northwest Company, Exchange Building, Seattle 14, Wash.

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Seabrook Farms Company—Analysis—Frederic H. Hatch & Co., Inc., 63 Wall Street, New York 5, N. Y.

Standard Cable Corporation—Bulletin—Englander & Co., 115 Broadway, New York 6, N. Y.

Strong, Cobb & Co., Inc.—Brochure—T. H. Jones & Company, Union Commerce Building, Cleveland 14, Ohio.

Union Carbide & Carbon Corporation—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Westinghouse Electric — Data — Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their annual summer outing Friday, Sept. 5, at the Richmond County Country Club at Dongan Hills, Staten Island. Tariff is $8.50 per person. A lobster dinner with all the trimmings is promised those attending and golf and all other sports are available at the club.

For reservations and other information contact Thomas Greenberg, C. E. Unterberg & Co.; Bernard Weissman, Siegel & Co.; or Salvatore J. Rappa, F. S. Moseley & Co. James A. Donnelly, Jr. is in charge of golf and Herman D. Meyer, Gruntal & Co. of other sports.

AD LIBBING

As of September 2nd, we gross about $10,000 toward the 1952 NSTA Official Year-Book Convention issue of the "Financial Chronicle." This is most encouraging, but K. I. M. we have only a short time to go. Nine affiliates have not yet made any returns, including three of our largest groups.

Harold B. Smith

I do like to hear from members, and only yesterday Stan Waldron of Merrill Lynch, Pierce, Fenner & Beane called for a contract for his firm's ad. Last week John Reilly of J. F. Reilly & Co., Inc., also checked with me on the size of his firm's ad. My own personal thanks both to Stan and John.

Unaffiliated advertising amounts to only $562 to date. Can't we get busy on more advertising contracts from other than dealer-broker firms?

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Company
120 Broadway, New York 5, N. Y.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Pessimism is as contagious as one of those virus diseases you hear about. Once they have run their course, however, the chances are that the patient will improve rapidly. It's that way with the market.

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For the past few weeks this column has been pointing out the dangers that seemed to loom on the horizon. The fact that the familiar averages did break shortly after the first warnings were given here, was a source of satisfaction. It gave me a chance to brag and point with pride. Of course anybody knows that all pointings with pride have to be preceded with viewings of alarm; otherwise there's no percentage in the pointing with pride department.

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So far, so good. Now we have to head into the what's ahead department. Before I attempt to answer this I'll precede it with an observation that I started to make in the opening paragraph. When an illness becomes widespread, the turn is right ahead; or the patient dies. Today the bearishness that I sounded the bell for a few weeks ago has acquired a lot of company. There's hardly a market technician that hasn't joined the parade. Even the statistician who always looks down his nose at the boys who make with the charts or other complicated systems, have sounded the alarm. The best you can get is pontifical advice on the order of "buy selected stocks and proceed with caution."

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The foregoing is excellent advice — at any time. The trouble is, what does it mean? How does one buy "a selected stock" and do it with "caution"? Does it mean that if you want to buy 100 shares of something you buy it a share at a time?

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In any case it now looks as if the bears have too much company. As a matter of fact all this bearishness may have taken the place of any new shakeout that was anticipated. Markets work that crazy way!

* * *

Labor Day, that magical point in the calendar that is supposed to mark the line of demarcation, is now over. This passing of the mystic day may mean something, though what it is escapes me. In any event the ominous signs of a few weeks back now show signs of dissipation. That being the outlook, for the time being, it seems that the next direction of the market will be up. It will probably arrive with an increase in volume, plus an increase in the stocks that will join the parade.

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Here's a couple of stocks that show better than usual performance: Carrier Corp.; Eagle Picher Lead; Archer-Daniels-Midland; Newport News Shipbuilding and Briggs & Stratton.

[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.]

Edmund Brown, Jr. At Penington, Colket

Penington, Colket & Co., 70 Pine Street, New York City, members of the New York Stock and Curb Exchanges, announce that Edmund Brown, Jr., has become associated with the firm as Manager of the investment planning department. Mr. Brown was formerly President of Investors Management Company, Investors Management Fund, Inc. and Fundamental Investors, Inc. after having served 15 years as director of research at Lehman Corporation.

Edmund Brown, Jr.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Miss T. Helen Dykes has been added to the staff of Slayton & Company, Inc., 1803 Broadway.

Joins H. M. Payson

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Ralph W. Bradeen is now with H. M. Payson & Co., 93 Exchange Street, members of the Boston Stock Exchange.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Van A. Steele has become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

From Washington Ahead of the News

By CARLISLE BARGERON

The Tidelands oil dispute and oil multimillionaires have come to be very much in the Presidential campaign but I can't see the issue affecting the outcome.

At the conventions in 1948 and this year there were some fabulous operators on the scene and fabulous stories accompanied them. One fellow we heard a lot about at Philadelphia in '48, a Texas operator, had money to burn and his ambition was to make Joe Martin President. He was present at the Chicago Republican convention this year giving freely of his money towards the nomination of Eisenhower. But he was overshadowed by another Texan about whom there were stories that he made $16 million a week. They were both fair prey for the publicity artists who haunt political conventions like flies and undoubtedly 90% of the money they put out was sheer waste. Very likely both of these men would be soft touches for the publicity artists and for the legitimate campaign fund raisers if there were no Tidelands issue because they are bored with their money and want some other form of excitement. But to the practical politicians of both political parties in Texas the Tidelands issue is very real. The oil industry of their State is up in arms over it and thus it behooves the politicians to be concerned. This explains why Governor Shivers and Democratic National Committeeman Wight Morrow and other Texas Democratic leaders have withheld their endorsement of Governor Stevenson, who has embraced President Truman's stand that the Tidelands belong to the Federal Government.

Carlisle Bargeron

Withholding their endorsement and turning their State organizations over to the support of Eisenhower, however, are two entirely different things and President Truman and Governor Stevenson feel that in the absence of this Texas, along with other Southern states, will remain in the Democratic ranks. Truman points out that there are many more people in Texas who don't have oil wells than those who do, that the Tidelands issue does not get down to the rank and file voter. I am convinced he is right.

This does not mean to say that Eisenhower in adopting the States Rights' position of this issue is not right. But the principal benefit from such a position will be campaign contributions and not votes.

Underlying the question of whether the interested States or the Federal Government are entitled to these off-shore properties is the more important question of whether the properties are to be developed or not. They would be under State ownership. Under the Federal Government, under Truman and presumably Stevenson, they would be turned over to the jurisdiction of the Interior Department and "conserved." A lot of political sin and skullduggery have been committed under the name of "conservation." Theodore Roosevelt, back in less critical times, was able to make a major political issue of it. The "conservationists" and "anti-conservationists" were lined up at each other's throats. The late Gifford Pinchot, twice Governor of Pennsylvania, and a stormy petrel in American politics for some 25 years, had "conservation" as his main vehicle.

Just what was the need for "conservation" in those days, what justification there was for the great hue and cry, I am not prepared to say. That its foremost political exponents were Roosevelt the First, and Gifford Pinchot, two able practitioners of demagoguery, make me rather cynical. Today the only justification in the matter of Tidelands oil is to add to the bureaucratic domain of the already bursting at the seams Department of Interior. It would seem to me that the American people should be against increasing a single Washington agency's power by one ounce. And it strikes me that Eisenhower, instead of passively taking his stand with the States-Righters on this matter, could blow it up into a first rate issue as another example of the monstrous Federal Government trying to hog everything.

The proposal of the "Liberals" and the Bureaucrats on this matter, that part of the funds from the Tidelands go to the schools and teachers is pure buncombe. It is designed to line up the powerful teachers' lobby on their side. The facts are that there would be very little funds under Federal ownership for anybody. Oscar Chapman—and there is plenty of justification for the assumption he would continue to serve under Stevenson—would simply store the property away with the rest of his bureaucratic power or permit exploitation only under his own and unreasonable terms.

The crux of the whole matter is, in fact, whether the Tidelands are to be developed or "conserved." That is the oil companies' real concern.

Rockford Dealers Group To Hold "Fling-Ding"

ROCKFORD, Ill. — The Rockford Securities Dealers Association will hold their annual "Fling-Ding" Sept. 26 at the Mauh-Nah-Tee-See Country Club. Golf and other sports will be featured, to be followed by dinner and entertainment in the evening. Reservations are $10 per person, and should be made with Richard G. Olson, Ticket Chairman, 708 Talcott Building, Rockford, Illinois. The Association announces that guests planning to come by train will be met, if they will notify the Association. Hotel reservations will also be arranged if requested.

Officers of the Rockford Securities Dealers Association are Paul E. Conrads, Conrads & Company, President; Richard Olson, King Olson, Surprise & Co., Vice-President; and Boyd J. Easton, Secretary-Treasurer.

Leonard J. Marquis

Leonard J. Marquis, partner of L. J. Marquis & Co., New York City, passed away on August 16.

Steel Strike End Spurs Sharp Production Rise

Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, says in August downward trend in production and orders, as well as that of prices, were reversed.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn., points out that settlement of the steel strike, resumption of operations after plant vacations and the usual seasonal pickup, in that order, are responsible for a reversal of the recessional trend of the past 18 months. In August, orders have taken a sharp rise and production shows a substantial increase after a slow Summer. The gap between incoming orders and outgoing production scheduled is closed for the first time since March of 1951. That this change may be temporary is indicated in Purchasing Agents' reports that much of the new business is in orders held back by the steel strike, and the short-range deliveries on these orders.

Robert C. Swanton

Industries dependent on steel, it is said, will continue to feel the depressing effects of the strike, as sparse and unbalanced inventories are consumed and replacements are delayed. A majority, 58%, remembering the quick recovery of the steel mills from previous work stoppages, and considering the new capacities now producing and coming into production, estimate that schedule difficulties may be well ironed out by the end of the year, assuming there are no new strikes affecting the steel industry. Contrary to that opinion is a substantial minority, 42%, who forecast unbalance and shortages into the second quarter of 1953.

Prices, sparked by steel, aluminum and copper, pointed up in August. Inventories were greatly reduced and out of line with production requirements. Employment was up, and buying policy remained predominantly within a 90-day range.

It is the opinion of purchasing executives, that the August upturn is not the beginning of a new boom, but the ending of, and recovery from, an artificially low three months. The cautious attitude is to "wait and see."

Commodity Prices

The down trend of industrial material prices was reversed in August, with the greatest number reporting higher quotations in the past 18 months. Steel, copper and aluminum were the leaders of the movement. Items containing these materials are expected to move up, reflecting the increased costs. The question in many buyers' minds is "Will they stick?". Competition is very keen for fabricated metal parts.

Inventories

Raw material inventories have been worked down to the low point of the year and, due to the steel shortage, are generally reported badly out of balance. While many new orders have been placed since the steel strike, they are on the low side for quantity and of short range. Many industrial inventories will be controlled by the receipts of steel and steel items, for several months.

Employment

Payroll additions took a sharp upturn in the second half of August, as vacationers, strikers and furloughed workers returned to their jobs. Steel-consuming industries, particularly those without substantial defense orders, will be plagued by layoffs and short running time until the steel mills get their production schedules back to a normal basis. 58% of those reporting estimate this can be accomplished by the end of the year. 42% anticipate difficulty through the first quarter of 1953 and into the second quarter. Much labor unrest is reported, with many strikes now called and others in the making.

Buying Policy

Purchasing Agents continue their very cautious view of future markets. The predominant policy is not over 90 days, with 30 to 60 days in high favor. The heavy release of orders in August was not accompanied by the usual longer commitment range. Buyers are more interested in procuring near-by requirements, and are not reaching far beyond those needs.

Wide Interest Shown In Forthcoming CTA $20,000,000 Issue

Five investment houses retained by the Chicago Transit Authority as consultants in marketing a bond issue of approximately $20,000,000 to purchase the Chicago Motor Coach Company and make other CTA improvements, report widespread interest by financial dealers and investors, according to Edward B. Hall of Harris, Hall & Company, Chicago, spokesman for the group.

Requests for active participation have already been received from New York; Boston; Philadelphia; Newark; Cleveland; Pittsburgh; Detroit; Minneapolis; St. Paul; St. Louis; Kansas City, Mo.; Indianapolis; Cincinnati; Toledo; Louisville; Memphis; Atlanta; Denver; San Francisco and Los Angeles.

Besides Harris, Hall & Company the management syndicate includes The First Boston Corporation, Blyth & Company, Inc., A. C. Allyn & Company, Inc., and John Nuveen & Company.

"The bond issue will cover the purchase of the properties of the Chicago Motor Coach Company, which is owned by the Omnibus Company of New York City, for about $16,500,000 and will pay for additional improvements in the CTA system," said Hall. He said the acquisition of the motor bus properties and business by CTA would thereby achieve complete transit unification in Chicago.

Public Utility Securities

By OWEN ELY

Electric Bond and Share

Electric Bond and Share recently issued its 1951 report to stockholders, which showed that as of June 30, 1952, the net asset value of the common stock excluding foreign investments was $110 million, an increase of 33% over the previous year. Eight years ago, on a comparable basis, the common stock was "under water" by some $2 million, since market quotations of the company's investments in the United States (together with net current assets) was about $2 million less than the preferred stock liability, since paid off. Also, stockholders have received rights and dividends which at recent prices are worth $65 million.

Including the company's holdings in Foreign Power, but excluding Ebasco Services for which no market quotations are available, the total net assets applicable to the common stock at June 30, 1952 amounted to $144,548,400, or $27.53 a share. Ebasco which started on a small scale 10 years ago with only five clients outside the Bond and Share System, earned a net income last year of over $3 million. Capitalizing this arbitrarily at seven times, the estimated value would approximate $4 a share for Bond and Share.

For some time EBS stockholders have been receiving dividends in the form of stocks, not taxed as ordinary income, and there have also been valuable rights. Including the recent dividend in stock of Southern Company, dividends and rights during the past five years had an aggregate value at the time of issue of over $6.22 a share. The market value of these distributions (including rights) is now about double the original value. The rights which were exercised entitled stockholders to purchase for $52,251,000 securities having a market value at June 30, 1952 of approximately $91,137,000 and yielding, at current dividend payment rates on the securities, 9.33% on the subscription cost.

The company's divestments have been designed to conform to the requirements of the Utility Holding Company Act. Under the company's "Final Comprehensive Plan" issued in June, and assuming SEC approval, stockholders will receive later this year a distribution of United Gas Corp. stock at the rate of one share of UGC for each eight shares of EBS. At the present price of United Gas (around 27) this would be equivalent to about $3.38 a share. Also rights will be issued to buy one share of UGC for each 10 shares of EBS. Further dividends and rights of United Gas are scheduled for 1953 and 1954, so as to reduce the large holdings to less than 5% of the outstanding shares.

Bond and Share now owns about 55% of the new common stock of American & Foreign Power Co., reorganized early this year. There is no indication that this investment will be disturbed, except perhaps as sales and repurchases might be made in future years to establish tax losses in connection with "tax-free" cash dividend payments. Foreign Power recently initiated payments on the new common stock by declaring a dividend of 1% in stock and 10c in cash. With the stock selling around 9, this was almost equivalent to the anticipated annual rate of 80c a share, although the mangement indicated that these payments did not necesarily establish a quarterly rate.

Foreign Power has been encountering considerable difficulties in obtaining exchange for dollar remittances in Brazil and Chile this year. However, in Chile the recently announced arrangement for sale of copper to the United States at world Market prices should result in some improvement in the exchange situation. The difficulty in Brazil stems from that country's failure to regulate imports, which until recently considerably exceeded exports. This condition is now slowly being righted but new credits from Washington may prove necessary to bolster the situation. Foreign Power also has an investment of $100 million tied up in the Argentine, from which it is getting little or no income in New York.

However, Brazil has tremendous natural resources as described in the recent story in "Readers' Digest." A more balanced fiscal economy, which should eventually be obtainable, will benefit Foreign Power and in turn Bond and Share. In the Argentine there is always a possibility that the Peron regime may collapse under the weight of inflation and bad economic policies, and in such event Foreign Power might be able to recoup some of its large investment.

Moreover, Foreign Power's operations are fairly well diversified. In 1951, income from Colombia, Costa Rica, Ecuador, Guatemala, Panama and Venezuela, plus that from either Brazil or Cuba would have approximated total interest requirements, plus parent company expenses and taxes. Except for temporary blockages as to Brazil, over at least a 20-year period Foreign Power has, on balance, never failed to receive in U. S. dollars income due it from its investments in both Brazil and Cuba. Except in Argentina, Brazil and Chile, the company in recent years has had little or no difficulty with remittances of earnings due it from its subsidiaries.

Foreign Power has encountered political difficulties in obtaining higher electric rates in some Latin American countries, in its efforts to offset inflationary increases in wages and other operating costs. This has been especially true in Chile and Mexico; while some rate relief has been obtained recently, further increases are being sought.

Another problem has been to obtain necessary capital for construction programs in Latin America. Special sales campaigns to market operating company securities have been conducted in Brazil with good results, and similar effort is planned in Cuba. Substantial assistance has been obtained from the Export-Import Bank at Washington, which has authorized total loans of $61,000,000 for subsidiaries' construction requirements in Brazil and Cuba.

Silly With a Straight Face

"American labor faces an era of danger and of threats to its very existence.

* * *

"There are those politicians beholden to reactionary interests, and those who are still advocates of the institution of human slavery, who would take from us the only effective weapon we have in our struggle for a better America.

John L. Lewis

"There are those intellectually corrupt corporate interests in this country who would sell a free, democratic and progressive America down the river in their mad gamble for unchallenged control of the economic future of our great nation.

* * *

"The spectacle of the segments of organized labor in America heaving and shoving in all directions—or in no direction—gives aid and comfort to those who would destroy us and institute their own modern version of serfdom."—John L. Lewis in Labor Day plea for labor "unity."

We sometimes wonder just how silly Mr. Lewis can be with a straight face.

Of course, neither organized labor nor any other element or factor in the population is likely to build "a better America" by means of monopoly.

The 1952 Tax Burden

National Industrial Conference Board finds tax "take," at all levels, in fiscal 1952 $86.5 billion or 22% more than in 1951. Estimates tax bill at $557 per capita per annum.

According to the National Industrial Conference Board preliminary estimates of the total tax "take" by all levels of government in fiscal 1952 place it near a record $86.5 billion—$16 billion or 22% more than for 1951. "And 1951, in turn, meant 25% more taxes than were extracted in the year preceding Korea."

The 1952 bill for Federal, state and local government, the Board finds, came to an estimated $557 for every man, woman and child—$142 more than it did at the wartime peak, and $184 above the 1950 peacetime mark. The 1953 bill, moreover, "may well be even larger, for the full effect of post-Korean federal boosts is only now taking hold and state and local governments continue to seek more revenue."

The first step in appraising today's record-breaking load, the Board points out, is selection of the most appropriate methods of measuring taxes. "None is perfect for all purposes, and some shed more light than others." Using mid-1952 figures and comparisons drawn with pre-Korea and the peak tax effort of War II, the Board's latest study of the tax burden analyzes some of the better-known tax measurment techniques. Their meanings and implications are discussed and their limitations pointed out.

"Compared with pre-Korea, 1952's tax structure shows 'only moderate changes.'" This, it is pointed out, directly reflects the stress in defense tax policy upon existing taxes. "But over the perspective of decades the changes in tax emphasis are marked. The relative contributions of property and miscellaneous levies have fallen off sharply; a rise in social insurance contributions has about matched a decline in customs and excises; and income taxes have moved up from a scratch position to the largest single tax source—more than 62% of the total."

One handicap of such large-scale tax-load measures (as an $86-billion total or $557 per capita), the Board adds, is the wide gap that separates their magnitudes from down-to-earth actuality. "Such over-all measures shed little light on either specific burdens on people or firms or on specific economic effects — nor do they contain any reference to either tax-paying ability or other tax criteria. And, like all averages, per capita figures can be misleading as well as helpful. Averaging taxes, like averaging apples and oranges, necessarily involves gliding over many differences."

Taxes Measured by Income

Of the methods employed in relating the tax load to tax-paying ability or capacity, the "most commonly used single criterion" is current income. Use of this criterion is usually premised on the grounds that income constitutes the principal source from which taxes are ultimately paid. But in application, the study cautions, this criterion is not always so simple, "since some taxes may not be paid directly out of income and since, in practice, income itself is not the unambiguous, straightforward criterion it might seem."

Of these income criteria, "the ratio of taxes to national income is frequently used as a measure of the total tax load. On a Department of Commerce basis, this ratio reached a record 32.4% in the first quarter of this year—four percentage points above the wartime peak and seven above the pre-Korean level." Excluding social insurance taxes, the ratio stood at 29.1% early this year.

A case has been made and statistics have been assembled to indicate that taxes in excess of about 25%, instead of being deflationary, become inflationary in their impact upon the economy, the Board notes. But on the other hand, it points out, by increased borrowings government can exercise greater command over national resources and even contribute to a decline in the tax-income ratio. "Thus the value of the ratio by itself may not fully describe the economic effects of government."

By another criterion—that of direct personal taxes compared to personal income — "the national average rate of taxation on personal income early this year was 12%, at an annual rate — more than a third higher than the ratio of the quarter before war broke out in Korea. Although nearly half again as high in dollar value as the 1945 peak, taxes imposed directly on persons took almost the same proportion of income early this year."

Personal income after taxes, or disposable income, according to the analysis, is a complementary measure of the tax load. "Viewed this way and valued in current prices, disposable income has managed to stay ahead in the race with taxes, being 15% above the Korean level and half again larger than its 1945 dollar total. But like other dollar aggregates these days, such a standard often presents quite a different picture when adjusted for price and population changes. In terms of constant prices and on a per capita basis, real disposable income at the 1952 first quarter annual rate was only 1% above June, 1950, and actually 7% less than in 1945."

Measures such as these, the analysis continues, must be used with their limitations in mind. Under a system of graduated tax rates on income, analysis of the load "can hardly overlook the distribution of personal income, its changes over time, or changes in the various forms of income."

On the other hand, it is noted, to consider only taxes directly imposed on income is to omit any reference to hidden taxes which no less effectively nibble away at income. "Such an omission drastically limits the measure's utility."

Tax Loads on Specific Taxpayers

One "measurement tool of a more specific nature" is the tax paid by each income bracket as a whole. "By this measure, it would appear that the recent stepping up of the Federal income-tax load, for instance, has been concentrated in brackets over $5,000. The proportion of all income taxes paid by persons earning less than $5,000 declined from 51% of the total in 1945 to 39% in 1948 and down to an estimated 37% last year." Changes in the distribution of before-tax income and the effect of progressive rates, however, "tend to blur the meaning" of this type of measure.

In 1951, of the estimated $71 billion of remaining untaxed surtax net income, some $34 billion fell in the lower end of the income scale. Of the $37 billion left in the over-$5,000 bracket, 81% was accounted for in the group earning between $5,000 and $25,000.

"But in the final analysis, the study asserts, "how much anyone pays depends not only upon his total income but also upon the components making up his income, where he lives, what he buys, the demands family and other responsibilities make upon income, and many other variables. And as a measure of the real load, taxes directly paid are of less economic and personal importance than taxes actually borne."

The full story thus also involves "ferreting out 'hidden taxes,' tracing their course through a labyrinth of shifting possibilities, and determining somehow their final incidence." The Board's study reviews the results of recent analyses of the burden of both direct and "hidden taxes" and appraises both their contributions to tax measurement and their limitations.

Measures of Specific Taxes

Tax-load measures of certain taxes or of certain aspects of those taxes serve still other purposes. Measures like these "carry no implications of the over-all tax load; but they often cast light on some of its more important components."

One of this group of measures analyzed in the Board's study is the rate of taxation on surtax net income, the significance of which lies in the fact that it measures the tax "take" out of an additional dollar earned. Since the marginal income dollar is taxed at the highest rate applicable to each taxpayer, this is the rate which bears directly upon incentives, upon decisions to work more, invest more, or engage in other income-producing activities.

"Under present tax laws, 22.2 cents of each added income dollar earned by a single person in the lowest taxable bracket is taxed away. The rate rises throughout the income scale until it reaches 92 cents for a surtax income of $200,000 or more. The pre-Korean marginal tax 'take' ran from 17 cents up to 82 cents of every added income dollar; the peak rates of World War II were fractionally higher in the bottom and top brackets than present percentages, and those for middle incomes lower. With income-splitting on joint returns available to married persons since 1948, they now pay at lower rates than bachelors and throughout the scale keep more of the last income dollar than they did during wartime."

But, the study notes, taxpayers with the same gross income may, because of different deductible expenses, income subject to varying treatment under the tax laws (e.g., capital gains, tax-exempt income, income in kind, etc.), or other reasons, wind up with taxable incomes of quite different sizes. "And now with income splitting and special allowances for unmarried heads of households, interpersonal comparisons must allow for further differences."

For still other purposes there are the "straightforward and perhaps more readily understood comparisons of actual tax liabilities and of incomes remaining after tax. Thus the tax impact on a married man (with two children) making $10,000 a year could be partially summarized by saying that in 1949 he would have paid a Federal income tax of $1,014 and this year he will hand over $1,334 to the tax collector, assuming average deductions." Twenty years ago the Federal "bite" on that income was but $211.

George Hayman Joins John Small & Co.

John Small & Co., 25 Broad Street, New York City, securities dealers, announced that George Hayman has become associated with that firm as a specialist in municipal bonds. Mr. Hayman, for the past four and a half years, was resident manager of the New York office of Walter Stokes & Co., Philadelphia, and, prior to that time, was associated with Ewing & Co. for 16 years.

S. R. Livingstone and Crouse Co. Merge

DETROIT, Mich.—S. R. Livingstone & Co., members of the Detroit Stock Exchange, and Crouse & Company, also Detroit Exchange members, have merged their businesses and the new firm will be known as S. R. Livingstone, Crouse & Company. Offices are in the Penobscot Building.

Two Join Raymond Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Saul J. Stopler and Harvey S. Tzudiker have joined the staff of Raymond & Co., 148 State Street. Both were previously with John J. Sessler & Co.

Taking Guesswork Out of Investment Management

By HOMER FAHRNER

Registered Investment Adviser, Corning, Calif.

After explaining and criticizing the "fundamental" and the "technical" approaches to investment management, California investment adviser presents a new approach, which he calls "trading with the trend." Says policy of this school is to buy strong stocks after a reaction and eliminate weak ones after an advance.

The great majority of investment managers subscribe to the "fundamental" (also sometimes called the "sound value") approach to investing. That is, they examine into a company's past record of earnings, dividends, financial position and management; and they appraise the company's future prospects. From all this they make a mental (or even mathematical) synthesis and arrive at what a stock is "worth." If the current market price is far below what the stock is worth, the stock is a buy, indeed it is a "bargain." On the other hand if the current price is above what the stock is worth, you leave it alone (or sell it, if you own it) and continue your research until you do find a bargain.

Homer Fahrner

There is a growing minority of analysts who, while still perhaps giving lip service to the fundamental approach, go beyond the information to be obtained about the internal affairs of a company. They give considerable weight to such things as the pattern of the market action of the company's shares at the stock exchange. You will find some of them using trend lines; others will consider volume of its transactions, perhaps in relation to total sales at the exchange. Among themselves these analysts will discuss the number of new highs and lows for the year, the breadth of the market, market cycles, odd lot figures and similar, though to the uninitiated, wholly unrelated, items. These analysts, who interpret the data derived from what goes on at the exchange and use it rather than the figures coming directly or indirectly from the company's operations, are said to stress the "technical" approach to the stock market.

Statisticians using the fundamental approach and those using the technical approach have this in common. Each one tells you what the market "ought to do"; that is, they aim to forecast the future direction of stock prices. They have yet another thing in common as far as this market student is concerned. Although I have been a professional analyst for 25 years and am, I believe the co-founder of the first analysts' society, I have never discovered any member of either group who has been able to consistently do even a creditable job of forecasting stock market prices. Indeed, the recently popularized formula plans are premised upon the theory that forecasting stock prices is utterly impossible. That the formula planners have made an important contribution, however, to mathematical (or mechanical) investment management cannot be gainsaid.

We, of the "Trading with the Trend" School, have long since discarded both the fundamental and the technical approaches. To us each requires interpretation beyond our ability, and we find all too frequently that two equally capable analysts can take the same statistical material and plausibly draw opposite conclusions. We have narrowed our own work down to the following simple rules, requiring no forecasting whatsoever:

How to Get the Most Out of the Stock Market

Selecting the Stock—or, What to Buy—

Buy current market leaders. There is no profit in purchasing stocks which are not going to advance with the next upswing in the market as a whole. Time is money. All too often investors seek "bargains" in depressed stocks; and they are then "locked in" for an indefinite period in otherwise perfectly good stocks which somehow do not appreciate in price even when the market as a whole advances.

Timing the Purchases—or, When to Buy—

(A) As long as a particular stock retains a dominant market position, the stock should be kept in the portfolio indefinitely. It should be held through secondary reactions in the market for future additional prospective appreciation.

(B) When any stock fails for a reasonable period to show further appreciation, it should be sold only after the next general advance in the stock market—and not before. In this way, the investor generally gets a very good price, even for a poorly situated stock.

(C) Additional commitments in stocks are made only after a secondary reaction in the market as a whole. In this way, the investor frequently buys the best stocks at really attractive prices.

How Much to Buy—

Here we use an advanced formula to keep the investor from plunging into the stock market with his all when prices are high; and later it gives him confidence to buy stocks heavily when they are really on the bargain counter. Because investors are never wholly in stocks nor wholly in cash, they care little whether the next move in the market is up or down. If it is up, they profit from their portfolio of market leaders; if it is down, it creates bargains for them and they have the fortitude and the cash with which to take advantage of the opportunities so created.

The foregoing rules seem essential and adequate, but there are, of course, variations in the ways in which they may be applied. A few illustrations may be helpful at this point. What are market leaders? How are they detected? To us a market leader is the very opposite of "depressed" or "bargain" stocks. We shun them. We look to stocks forging ahead and making new highs, rather than those which are on the way down making new lows. Stocks making new highs for the year are, at least for that moment, among the market leaders. Any astute market student will develop his own tests. And if a stock holding continues making new highs say not less often than at three to six months' intervals, it surely deserves to be retained in any portfolio.

Similarly sales can be made at any time that the Dow-Jones Industrial Average reacts say five to ten points from its recent high. The figure would have to be varied to fit different price zones. Or the buying and selling could be put on a time basis, such as buying two or three weeks after the Average refuses to yield further ground. Our own experience since mid-1951 was a buy in July, 1951 at 250; a sell in October above 270; another buy in November at 259; a sell in January, 1952, again above 270; and a final buy in May at 261. Far from perfect, but fortunately perfection is not required for success in investment management. Among the vehicles used in our portfolios were Amerada Petroleum, Atlantic Coast Line, Crystal Oil, Denver and Rio Grande Western, Kansas City Southern, Kern County Land, McWilliams Dredging, Northern Pacific, Seaboard Airline, Southern Pacific, Standard Oil of Indiana, Texas Utilities and United Gas Corp.

In brief the "Trend School" policy is to buy strong stocks after a reaction, and eliminate any weak one after an advance. In the end, it achieves a portfolio of really attractive equities all without any forecasting whatsoever. Could the investor ask for anything more?

Waddell & Reed Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—James R. Reid has joined the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue. Mr. Reed in the past was with Bache & Co. in New York.

Savard & Hart Open New York Office

Savard & Hart, Montreal, members of the Montreal Stock Exchange, the Toronto Stock Exchange, and the Montreal Curb Market, have opened offices in New York City at 62 William Street. The office will be managed by Howard K. Low, formerly with the Chase National Bank and will have direct wire service to Montreal and Toronto.

Associated with Mr. Low will be C. Marshall Wood, formerly Vice-President of Blair & Co., and Percy Lawson-Johnston, formerly member of the London Stock Exchange.

McLaughlin, Ruess to Admit S. C. Kerby

McLaughlin, Reuss & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Stanley C. Kerby to partnership on Sept. 15. Mr. Kerby joined the firm early this year.

Inv. Secs. Opens Branch

SANTA ANA, Calif. — Investment Securities Company of California, with headquarters in Pasadena, has opened a new branch office in the First National Bank Building in Santa Ana, Calif., with Robert F. Herpick as Resident Manager. Mr. Herpick has been associated for many years with Dean Witter & Co. at their Los Angeles office.

"The Taft-Hartley Act Should Be Repealed"

By HON. ADLAI E. STEVENSON*

Governor of Illinois
Democratic Party Nominee for President

In Labor Day address, Democratic Presidential candidate scores Taft-Hartley Act and calls for its replacement by new law. Condemns labor injunctions, and lays down as basis for new legislation five general principals, viz: (1) both labor unions and employers must accept tenent each is responsible representative of their respective members' interests; (2) both unions and employees must conform to standards of fair conduct; (3) unfair bargaining practices must be outlawed; (4) labor injunctions should be ended, and (5) new methods must be found for settling national emergency disputes.

I stand before you as a fugitive from a sweat-shop down in Springfield, Illinois. Down there the speed-up is in full force, but we aren't complaining a bit. In fact, we like it because we believe in the job we are doing and that we are going to win.

Adlai Stevenson

This is Labor Day of an election year, and I think candidates ought to get a day off, too. But if they got off they might not get in. So I welcomed the invitation to come to Detroit to talk to you about the relationship between the Democratic Party I represent and the working people you represent.

Contrary to the impression fostered by some of the press, you are not my captives, and I am not yours. I might as well make it clear right now that I intend to do exactly what I think right is best for all of us—business, labor, agriculture—alike. And I have no doubt that you, too, will do exactly what you think best at the election.

You are free born Americans—a proud and honorable status, carrying with it the right and the responsibility to make up your own minds. So am I. So if either of us thinks in terms of captivity, let's agree right here and now on a mutual pact of liberation.

President Must Look to Common Interest

The interest and the obligation of the President must be the common interest. His concern for labor, as for industry, is only as a part of the common interest. I would intend to honor that office by complete freedom to serve not one man or a few, but the whole nation. And I think that is precisely what you would want me to do.

The relationship between the Democratic Party and the working people of America is a very simple one. We both believe in equal rights for all and special privileges for none. We both believe that the objective of our country and its government is to achieve human decency, to meet human needs and fulfill human hopes.

We take honest, open pride in what the tremendous progress of the last 20 years has meant—not for the Democratic Party, but for the whole nation. We pulled ourselves out of the quicksand of depression. In fighting an awful war we did our part gloriously. We have made of America the best place to live and work the world has ever known—a land where men are assured a decent wage and security when their work is done, a land where the mother can know that her children's opportunities are bright and limitless.

But these things are not permanent. They have to be fought for by each succeeding generation. So it is my obligation to give you my ideas of our common interests, my thought about the future.

Three Sets of Common Interests

I see three sets of common interests in the labor field. These are positive interests, constructive interests. We have talked too much in terms of labor war, too little in terms of labor peace; too much in terms of stopping things by laws, too little in terms of establishing industrial democracy.

There is first our common interest in securing to all who work the minimums of human decency.

This means, among other things, that the men and women in our working force—62,000,000 of us—shall receive a decent living wage, insurance against risks of disability and unemployment, and the assurance of solid—not token — security when life's work is done. It means, too, that we must struggle tirelessly to add to these assurances equality of work opportunity for every one of us—regardless of race or creed or color. Human decency is the theme of our history and the spirit of our religion. We must never cease trying to write its guarantees, not just into our laws, but into the hearts and minds of men.

A second key to our common interest is that the men and women in our working force are consumers as well as producers.

Our welfare is not measured by what we get from the pay-roll clerk, but by what we get at the store and the school and the hospital, and by what we have left to put in the bank. Meeting such problems as inflation, housing, and the high cost of living, is part of a labor policy, because it is part of a national problem.

The working man can not and must not think of his welfare as something separate and apart from the common good. The interests of the day worker, the white collar worker, the employer, the farmer, are all rooted in the soil of national well-being. If your employer's business fails, for example, you are out of a job. We are utterly dependent on one another, and what is best for the nation is best for all of us and best for each of us.

Our third common interest is in the process of collective bargaining the keystone of industrial democracy, of free enterprise.

Democracy is working when free men solve their own problems, in their own way and in their own political and industrial communities. The 80,000 private collective bargaining agreements today in effect are alternatives to —and better than—laws. They are voluntary private solutions which make unnecessary involuntary government decisions. They prove that the most useful thing the government can do is to assure a fair bargaining balance by guaranteeing to employees the right to act together.

Taft-Hartley Act Has Not Worked

The only legitimate purpose of a Federal labor relations law is to make private collective bargaining work better. That purpose has not been served by the Taft-Hartley Act of 1947.

We needed in 1947 some revisions in the old Wagner Act, some new rules for labor peace. We got a new law all right — a tangled snarl of legal barbed wire, filled with ugly sneers at labor unions and built around the discredited labor injunction.

I don't say that everything in the Taft-Hartley Act is wrong. I don't think it is a "slave labor" law. But I do say that it was biased and politically inspired, and has not improved labor relations in a single plant. We must have a new law, and my conclusion is that we can best remedy the defects of the present law by scrapping it and starting over. What should be retained can be written into the new law best after the political symbolism of the Taft-Hartley Act is behind us.

Five General Principles for New Labor Law

I suggest five general principles as the basis for a new labor relations law. I believe they represent the public interest in a fair, solid, durable pattern of free collective bargaining. And I think labor and management can agree on them, too, if they will throw their guns on the table.

Point Number One

Point Number One is that the law must accept labor unions, like employer corporations, as the responsible representatives of their members' interests.

The Taft-Hartley Act assumed that unions could not be trusted to determine whether their members wanted a union shop. After the expenditure of millions of dollars to hold thousands of government conducted elections—in 95% of which the employees voted for the union shop—the Congress last year finally repealed this gratuitous insult to the labor unions.

But the act still prohibits other forms of union security arrangements developed over many years, by labor and management together, in such cases as the maritime industry, the building trades, and the printing trades. The Congress arbitrarily said we know better than unions what is good for employees. The result could have been predicted. Today several thousand employers and several million employees are operating under bootleg agreements in flagrant violation of the statute.

Responsibilities of Labor Unions

Point Number Two is the other side of Point Number One. If labor unions are to be accepted as the full representatives and guardians of employee interests in the collective bargaining process, then labor unions must conform to standards of fair conduct and equal protection in the exercise of their stewardship.

A few unions, made by law the exclusive representatives of certain groups of employees, abuse that trust by excluding from union membership some who want to work, denying them a vote, denying their seniority rights—because of the color of their skin or because of restrictive notions about employment security.

This is not democracy. Unions which are given powers by government should be open to all on equal terms. I know it is the view and the practice of the vast majority of American unions and union members to reject any idea of second-class citizenship based on race or monopoly.

And speaking of industrial democracy, let me say that you have a responsibility to participate in the affairs of your unions. The union exists for your benefit. If there is anything wrong with it, if you don't approve of the officers, if you don't like the union's policies, if there are racketeers or Communists, then it is up to you and your fellow members to do something about it. You have your own democratic cleansing process.

But you can't do it by sitting at home and complaining, any more than you can get better men in government by staying away from the polls. Those who really work at self-government find deep satisfactions — and so will you.

Must Outlaw Unfair Bargaining

Number three of my suggestions is that a new Federal labor law must outlaw unfair bargaining practices by companies or unions.

The Taft-Hartley Act, like the Wagner Act before it, prohibits certain types of unfair labor practices by employers, such as discriminating against union members for forming company unions. But Taft-Hartley added a list of union unfair practices. The unions have protested vigorously against this addition.

Yet I think it is only common sense to acknowledge that we must forbid such practices as jurisdictional strikes, and strikes or boycotts attempting to force an employer to deal with one union when another has been certified as the representative of his employees.

It is equally clear, however, that the prohibitions in the Taft-Hartley Act are so broad and so jumbled as to outlaw proper along with the improper conduct—even, on occasion, to require union members to act as strikebreakers. These provisions must be completely rewritten, with the intention not of stripping unions of as much bargaining power as possible, but only to prohibit resort to those extremes which fair-minded judgment identifies as unreasonable.

Point number four is rejection of the labor injunction.

We agreed on this once. In 1932 Congress overwhelmingly passed the Norris-LaGuardia Act to prohibit the labor injunction. The vote was 326 to 14 in the House and 75 to 5 in the Senate.

Then, 15 years later, in the Taft-Hartley Act, the labor injunction — the process of haphazard prejudgment — was disembalmed. No showing of need was made for it. And that tyrannical power to have men and women ordered back to work in smothered silence has no place in today's labor law.

Wants New Methods for Settling Emergency Strikes

My fifth and last point is that new methods must be found for settling national emergency disputes.

We are willing, as a nation, to put up with serious inconveniences when bargaining stalemates result in shutting down production. Collective bargaining is a form of free competition, and, in Justice Holmes' phrase, "Free competition is worth more to society than it costs."

We cannot, however, tolerate shutdowns which threaten our national safety, even that of the whole free world. The right to bargain collectively does not include a right to stop the national economy.

The Taft-Hartley answer for this problem is the injunction. All that law boils down to is that in national emergency disputes employees shall be ordered to work for another 80 days on the employers' terms.

This remedy has been administered now nine times. Fair-minded critics have concluded that in only two of these cases did it do the slightest good. In the others it either had no effect at all or actually delayed private settlement.

I have no miracle-drug solution for this problem. I am clear, though, that where the government must intervene in these private disputes, its purpose must be not just to stop the strike, but to see that the dispute gets settled.

I am clear, too, that the new law must recognize that these emergency cases are always different. It is a proven mistake for Congress to prescribe in advance the same old patent medicine for all of them.

What we need is a completely new law—one that will provide for investigation and reporting to the public of issues involved, one that will provide for more effective mediation between the parties. Its purpose should be to keep these cases out of the White House, if possible. But the Congress should give to the President a choice of procedures when voluntary agreement proves impossible; seizure provisions geared to the circumstances; or arbitration; or a detailed hearing and a recommendation of settlement terms; or a return of the dispute to the parties.

Such a law would leave the obligation to settle these disputes where it belongs—with the parties. But it would not straitjacket this settlement process.

It would express the firm voice of a nation which demands a fair and a quick settlement, and offers constructive help toward a solution.

These are the outlines of a law consistent with our democratic practices. They outline a minimum law—and a minimum of law is what we need. And I would hope, indeed expect, that in the larger area of common agreement that exists today the representatives of labor and management, meeting in a spirit of give and take and sincere search for industrial peace in the national interest, could agree on such a law.

Finally, let none of us forget that labor problems are human problems. The ultimate answers do not lie in the legislator's inkpot or the lawyer's brief.

The common denominator of all I have said today is confidence—confidence not in law or government, but in one another, in free men and women; confidence in the private organizations they have set up, the private processes they have worked out to meet their common problems. For, if I can leave anything of certainty with you, it is that the greatest hope for industrial peace is not in laws, but in private agreements.

It is hard to remember that here in Detroit 15 years ago a mighty industry was paralyzed, and fighting in the streets between bitter men was an iminent possibility. Today the automobile companies and the workers have a five-year contract, giving the nation an assurance of labor peace infinitely firmer than any Congress could ever supply.

Where we have come so far, we know we can go farther.

*An address by Gov. Stevenson in Cadillac Square, Detroit, Michigan, Sept. 2, 1952.

Rodney Boynton Joins Staff of McKinsey Co.

Rodney Boynton has joined McKinsey & Company, management consultants, it has been announced by the firm. He will be a consultant in the General Surveys group of the New York office. Mr. Boynton recently served 17 months in the Navy. Prior to that, he was with the Institutional Department of Dean Witter & Company.

ABA to Establish Department of Monetary Policy

Section to be headed by Dr. E. Sherman Adams, now Assistant Vice-Chancellor of New York University

Because of the growing part that the monetary policies of the government are having in the life of banks and the economy as a whole, the American Bankers Association has announced it will establish a Department of Monetary Policy to give direction to banking thought and action in this important area of finance. Announcement of the new program of the Association was made by Harold Stonier, executive manager of the ABA, who stated that the department will be headed up by Dr. E. Sherman Adams, Assistant Vice-Chancellor of New York University, who will join the ABA on Jan. 1, 1953.

Dr. E. S. Adams

In announcing the plan, Mr. Stonier noted that "There was a time when monetary policy was expressed chiefly through controls exercised by the Federal Reserve System over the total quantity of bank credit. In recent years," he added, "great emphasis has been placed on other methods such as selective credit controls and the regulation of general credit in terms of the purposes for which it will be used and the effect thereof on general economic conditions.

"Debt management policies of the U. S. Treasury arising out of the huge public debt, combined with the Treasury's power to recommend the kinds and amounts of taxes to be raised by the Federal Government, also have an important effect on the money supply and the credit situation.

"The impact of these changes of recent years has made the policies of the Federal Reserve and the Treasury factors of great influence on the cost, availability, and volume of credit. As a result, these monetary policies have had far reaching effects at times, not only upon commodity prices and the volume of production and employment, but also upon the operations of the banks themselves including their ability to attract and maintain the private capital that is essential to the chartered banking system.

"The setting in which monetary management operates has changed enormously in recent years. New problems have arisen which have led and probably will continue to lead to Congressional studies of the subject from time to time.

"The establishment of a Department of Monetary Policy is in line with the practice of the Association at different times during its history, such as the period preceding enactment of the Federal Reserve Act, when a great deal of the thinking about a central banking system was generated by the Currency Commission of the ABA."

In concluding his announcement, Mr. Stonier made the point that the new department is not to be an investment department offering advice either to individuals or to banks on the subject of investments, but rather a department that will be of help to other sections of the Association and to its members and to those who represent it before Congress, in the development of information and opinion on monetary policy and its practical effects upon banking and upon economic conditions.

Dr. Adams is a native of Norwalk, Connecticut. He was graduated from Amherst College in 1931, and received the degree of Master of Business Administration from the Harvard Graduate School of Business Administration in 1933. He received his Ph.D. in Economics from New York University Graduate School of Business Administration in 1948. His doctoral thesis was written on "Current Problems of Monetary Management."

NY Inst. of Finance Offers Fall Courses

Four eight-week courses in specialized phases of investment analysis have been added to the curriculum of the New York Institute of Finance, 20 Broad Street, New York City, for the fall term commencing Sept. 15.

D. J. Enright of Lord, Abbet & Co. will teach a course in "Railroad Security Analysis." Theron W. Locke, Public Utility Analyst, Goodbody & Co., will be the instructor in "Public Utility Security Analysis." "Municipal Security Analysis" will be taught by David M. Ellinwood, Manager, Municipal Department, Moody's Investors Service. Robert G. Van Cleave, Assistant Vice-President, C. F. Childs & Co., Inc., will teach "U. S. Government Bond Market Analysis."

The Institute is commencing its 31st year as a Wall Street institution. From 1922 to 1930 it trained employees of the New York Stock Exchange only. In 1930 its courses were made available to employees of member firms of the New York Stock Exchange and in 1938 the courses were opened to the public. In 1941 the name was changed from the New York Stock Exchange Institute to the New York Institute of Finance. The faculty list includes many well known Wall Street specialists. All courses are given in the early evening. More than 95% of the 700 students who attended last spring term were employed by investment firms and banks in the Wall Street district. In addition to its resident classes, the Institute makes some courses available by correspondence. Seven hundred and fifty students, from all sections of the United States, were enrolled during the last school year.

Loewi & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — William B. Towner has become affiliated with Loewi & Co., 225 East Mason Street, members of the Midwest Stock Exchange.

Wm. J. Mericka Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Franklin M. Coryell has been added to the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Beer Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — William L. Daugherty is now associated with Beer & Co., Trust Co. of Georgia Building.

With Union Securities

SYRACUSE, N. Y.—Donald D. McCombs has become associated with Union Securities Corporation in their Syracuse, New York Office, 317 Allen Street.

Working Women

By ROGER W. BABSON

Mr. Babson notes rapid rise in number of women workers and points out important question is "How long will it be before women employees will equal number of men employed?" Says labor unions have raised living standards, but in seeking new benefits may "kill the goose that lays the golden eggs."

When I was a boy only about two million women were employed in the entire United States in other than housework or teaching. This has now increased to nearly 20 million. Jobs have given women more money to spend. New industries and products have been developed, freeing women from housework. Among these may be mentioned frozen foods, complete bakery products, self-service stores, electric refrigerators and ranges, dishwashers, garbage disposals and plastic table "linen."

Roger W. Babson

There are 110 million people in the United States over 14 years of age, of which 58 million are women. Of these only 19 million are now employed. The total men and women in the labor force is about 63 million. If we subtract the 19 million from 58 million women it means that 39 million women have not yet become wage workers. Now here is the important question: **How long will it be before the number of women employed equals the number of men employed?** This will be possible as smaller and more modern houses are built, supplemented by complete automatic electronic equipment and other wonderful new inventions not yet on the market.

Labor Unions and Living Standards

When I was a boy there was not a labor union in Gloucester. The carpenters and painters got $3 a day; haircuts were 25 cents; common labor was $1 a day. After graduating from college, I went to work for $10 a week. Rents and foods were low and there was no plumber's bill as our "bathroom" was out in the back yard! We got our water from a cistern in the cellar; our heat came from stoves; we cut our own fire wood; and for light we used kerosene lamps.

There, however, was then a great difference between the living standards of the few well-to-do families and of the great mass of the population. As a result of the labor unions, minimum wages, social security, safety laws, shorter hours and higher wages, the living standards of the wage worker are now very much higher; while the privileges and profits of the old well-to-do families are gradually vanishing. Of course, new machinery and advertising have greatly aided in this redistribution of wealth. Let us hope that the labor leaders will not overreach and "kill the goose which has laid these golden eggs."

Managed Money and Education

In my boyhood days we were living under the old Gold Standard, which put a "ceiling" and "floor" on business, employment, prices, etc. It acted like a thermostat. When the expansion became too great, the thermostat turned off the oil burner; while when business cooled off, this economic thermostat started up the oil burner again. Twenty years ago this Gold Standard, or "business thermostat," was discarded. We are now living under Managed Currency. It is a pleasant sensation but it is like running an oil burner without a thermostat. Some day the boiler will bust!

With women in industry, our public schools are completely out of date. Children are now getting most of their education from the newspapers, automobiles, radios, televisions, and gang leaders. As a result, we are suffering from a very serious epidemic — juvenile delinquency. Unless there is a revival as to parental responsibility, I fear that the only way to correct this situation will be by keeping the children in school eight hours a day. This may be the next great educational change coming to every city where this column is read.

Joins R. J. Plunkett

(Special to THE FINANCIAL CHRONICLE)

WAUSAU, Wis.—Martin J. Rossow is now with Raymond J. Plunkett & Co., First American State Bank Building, members of the Midwest Stock Exchange.

Stanton Loring With DeWitt Conklin Firm

Stanton D. Loring has joined the DeWitt Conklin Organization, 100 Broadway, New York City, financial and stockholder relations counsel, it has been announced by DeWitt Conklin.

Mr. Loring comes to the Conklin firm after two years' service as flag secretary and aide to Admiral Oscar C. Badger, U. S. N.

Prior to his service recall, Mr. Loring was associated with the investment banking firm of Tucker, Anthony & Co.

He was graduated from Harvard University in 1941 and resides at Greenwich Conn.

R. W. Richardson Is With Baker Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — R. Ward Richardson has become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange. Mr. Richardson was formerly an officer of C. G. McDonald & Co.

Verace to Admit

Verace & Co., 52 Broadway, New York City, members of the New York Stock Exchange, on Sept. 11, will admit Edgar H. Savarese to partnership.

Now With Ernst Co.

Arthur P. Brooks is now associated with Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as a registered representative.

With Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul H. Schmidt has joined the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Neuberger & Berman

Neuberger & Berman, 160 Broadway, New York City, members of the New York Stock Exchange, announce that Harold C. Field is now associated with them as a Customers' Broker.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Scott C. Wilson is now with Bache & Co., 135 South La Salle Street.

Canadian Securities

By WILLIAM J. McKAY

That Canadian prosperity, like in the United States, is bolstered up by heavy rearmament expenditures is now recognized by Canadian Government and banking circles, and warnings are occasionally given out that too much cannot be expected in the way of long continuation of present boom conditions. According to the latest issue of the "Business Review" of the Bank of Montreal:

"Strong demands on the nation's resources continue to emanate from the rearmament program, from capital goods industries, and from export markets. Added to this, the consumer, after sitting back and buying sparingly for over a year, has since April been coming forward into the market and spending more freely."

These plus factors, says the banks override the other side of the picture. "The volume of work ahead for the construction industry appears to be lessening. It is difficult to see how overseas nations can long maintain their current level of purchases from this country. Inventories in some lines are still uncomfortably high. The recent prolonged steel strike in the United States cannot fail to have some deterrent and disruptive effects on Canadian industrial production."

Concerning the Canadian Government's defence outlays, the "Business Review" states:

"Total expenditures of the Government of Canada during the first three months of the current fiscal year to the end of June, at $734 millions, were $150 millions higher than in the comparable quarter of 1951. To a major extent the over-all increase was attributable to the rapid rise in outlays of the Departments of Defence and Defence Production from $189 millions to $306 millions—i.e., by $117 millions or 62%—in the quarterly comparison. The fact that defence disbursements in this quarter were far short of the level implied by the budgetary estimate of $2,125 millions for the fiscal year as a whole indicates that defence spending should continue to gain momentum in the months ahead. The Minister of Defence Production has reported to Parliament that 'we have passed through the major part of the development and tooling-up stage and this year will mark the first year of volume production with deliveries coming forward at an increasing rate.' In addition to the requirements of the Canadian preparedness program, the United States is buying more armaments here, thus establishing a better balance in reciprocal defence purchases between the two countries. The Minister stated that U. S. military authorities had by the end of May placed orders in Canada amounting to more than half the value of Canadian orders in the U. S. A. and added that 'United States orders are coming in very fast.'

"More important in magnitude and economic impact than direct defence disbursements, however, are the trend and pattern of expenditures of a capital nature that are being undertaken in this country, predominantly to develop its strategic resources. Particularly revealing in this regard is a revised official estimate of private and public capital investment outlays for the full year 1952 which has recently been published. The mid-year survey on which this forecast is based was taken before the United States steel strike began. But inasmuch as many if not most of the projects reported had already been initiated, work on them will probably at worst be delayed rather than stopped entirely.

"The survey showed that total expenditures for new durable physical assets this year, if made as planned, will amount to $5,181 millions, in marking an increase of $600 millions or 13% over actual outlays in 1951 and establishing a new peak for the seventh successive year. In contrast to recent years the major part of this year's added value is expected to be represented by a growth in physical volume, estimated at 8%, rather than by higher prices and costs.

"A larger proportion of the 1952 capital expansion program is scheduled to take the form of new machinery and equipment which, at $2,240 millions, is higher by $347 millions or 18%. New construction, estimated at $2,941 millions, will be up somewhat less, by $253 millions or 9% for the year as a whole. But the possibility of a decline in construction activity in the months ahead is suggested by figures of new construction contracts awarded, which were lower in value by 31% in the first seven months and by 57% in July than in the corresponding periods last year. However, the Minister of Trade and Commerce has intimated that the deferment of depreciation may shortly cease to be operative, now that the building boom is no longer contributing importantly to inflation, although the effects of the steel strike will have to be assessed before a termination date is set.

"Reverting to new capital expenditures as a whole, perhaps the most noteworthy aspect of this year's program is the further shift in general toward investment in strategic resources development. Simply to list various major industries, in order of the percentage by which their capital outlays in 1952 are expected to exceed 1951, suffices to paint a picture of the direction in which Canada's current economic expansion is spearheaded: chemicals up 129%, non-ferrous metals up 90%, iron and steel up 62%, petroleum and coal up 60%, rubber up 52%, railways and water transport up 32%, transportation equipment up 32%. By contrast, in sectors of the economy less closely related to the defence effort, declines such as the following were recorded: finance, insurance and real estate down 28%, commercial services down 23%, forestry down 18%, wholesale and retail trade down 11%, housing down 10%."

Says Prosperity Depends on Consumer

Harold Schreder, holds slackening both of government spending and new capital outlays must be offset by larger consumer spending if present boom is to be maintained.

Harold X. Schreder

Speaking on the economic outlook to the graduating class of the Central States Banking School at the University of Wisconsin in Madison, Wisc. on Sept. 2, Harold Schreder, Executive Vice-President and Director of Research of Group Securities, Inc., stated that "The burden of proof for continued prosperity in this country is shifting to the consumer."

"For 14 years," Mr. Schreder pointed out, "we have been in an unprecedented boom propelled upward alternately by government spending and business capital investment. Now, total spending by business, while still high, has already turned downward and (barring a third World War) government spending has approximately reached its zenith."

Mr. Schreder explained that while he has no qualms about the private consumer's ability to assume the responsibility for prosperity in this country over the long run, because of the continued sharp growth in population and its attendant needs, he did feel "that the intermediate years ahead would have to be watched very carefully. As one result of our increased standard of living, consumer spending now includes so many 'luxury or deferable items,' that it is far less predictable than most economists have heretofore assumed."

Other reasons given by Mr. Schreder for the necessity of watching consumer spending especially carefully at this time were "because (1) by now most consumers have become pretty well stocked with goods and are on a replacement basis; (2) their 'real income' after increased taxes and cost of living is advancing very slowly now in contrast with the previous trend: (3) higher prices make increased sales more difficult to achieve, and (4) the sharply increasing rate of postwar family formation will continue its current downtrend for some time because of the low birth rate in the middle '30s."

Mr. Schreder concluded his address by stating that "the most certain way to insure continued prosperity over the intermediate years ahead is to reduce income taxes—and soon; like Alice in Wonderland, the private spender is losing the race with rising prices and taxes." He added, however, "that the high birth rate of the '40s practically insures longer term prosperity."

Sennott, Cook, Renier With H. M. Byllesby

Frederick J. Cook Wm. J. Sennott, Jr

CHICAGO, Ill.—H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange, announce that William J. Sennott, Jr., Frederick J. Cook and Edward P. Renier are now associated with their firm. All were previously in the trading department of Rodman & Linn.

Joins Christopher Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Temple D. Shaw has become associated with B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange.

Joins Hooker Fay Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Alfred B. Chong is now associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Albert M. Bank is now with Harris, Upham & Co., Northwestern Bank Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MANKATO, Minn. — Regis J. Klaras is now affiliated with Waddell & Reed, Inc.

"Musts" for Controlling Defense Budget

September "Monthly Bank Letter" of the National City Bank of New York holds reduction of budget is going to depend on leadership quality in Washington.

In a discussion of the revised Federal budget estimates, the September issue of the "Monthly Bank Letter," publication of the National City Bank of New York, lists several "musts" which should be applied in the efforts to hold down the current high defense outlays. According to the statement:

"We all want a strong and effective defense, but that is no reason for not scrutinizing its costs with utmost care. In fact, it is all the more reason for doing so. Here again it is possible to suggest some 'musts':

"One is to root out waste and extravagance, whch has been exposed to countless ways and adds nothing to the effectiveness of the program. On the contrary, it detracts, since it spends money and uses up valuable material and manpower.

"Another 'must' is improvement in procurement methods through application of ordinary business practices to avoid duplication of orders, accumulation of excess replacement parts, paying widely varying prices for similar items, and the like. It means taking advantage of suppliers' experience and advice. A report issued in April by the Committee for Economic Development on 'Tax and Expenditure Policy for 1952' points out numerous ways by which the defense program could be benefited while costs are reduced through standardization and simplification of requirements, unified cataloging and purchasing, use of quantity production methods, and economy in military construction both domestic and overseas.

"Third, an overall strategic plan is needed. Are we spending the money for the right things to get the most effective defense force we need, at a reasonable cost? Answering this question will take real top-grade examination—free of domination by politics or by the armed services themselves. Yet unless this kind of master plan is achieved, decisions of far-reaching importance must continue to be made on the basis of piecemeal policies, with inadequate results.

The Real Test

"Finally, getting control of the budget is going to depend upon the quality of leadership in Washington and how the country really feels about the whole question of keeping the national finances sound. What is done will show whether our leaders are willing to take responsibility for the difficult task of cutting back these vast spending programs, and how effectively our people support those in Washington who are trying to accomplish it."

Beardslee-Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Ralph C. Davis has joined the staff of Beardslee-Talbot, Inc., Rand Tower.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — William N. Johnson has become connected with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert S. Nadeau is now with Bache & Co., Penobscot Building. He was previously with Baker, Simonds & Co.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Sumio Miyamoto is now affiliated with Richard A. Harrison, 220 16th St.

Another Convertibility Failure

By PAUL EINZIG

Dr. Einzig, in commenting on failure of the experiment of limited convertibility of Sterling by the British authorities, says move was an error of judgment and is an object lesson of what would happen if pound sterling were now made convertible. Holds U. S. should realize difficulties in effecting convertibility and should not press for it.

LONDON, Eng.—The experiment of limited convertibility undertaken by the British authorities in favor of the countries of the European Payments Union during the first half of August resulted in a complete failure. The operation of the new scheme under which British merchants were granted licenses to buy certain dollar commodities for resale against sterling or local currencies to countries of the EPU had to be suspended almost immediately after its inauguration. On Aug. 14, only a week after the scheme came into operation, the Bank of England announced that no further applications for license could be considered for a month. Wheat has been excluded indefinitely from the scope of the scheme. As for applications concerning other commodities within the scheme, it has been suggested that they should be submitted again in a month. It is doubtful, however, whether the scheme will be renewed in its present form, if at all.

Dr. Paul Einzig

The idea in adopting the scheme was that, since under the existing arrangements Britain has exhausted her limit of facilities with the European Payments Union, any deficit in relation to the EPU has to be settled in gold, the British Government preferred to reduce the deficit by selling dollar commodities to Western Europe. This meant that, to the extent to which this is done, Britain would lose dollars through the purchase of dollar commodities for re-export instead of parting with gold or dollars in settlement of the deficits. From the point of view of her gold position Britain stood to gain very little through the operation of the new arrangement. Her gain—or rather her reduction of loss—was limited to the commission or profit the British merchants engaged in the traffic would make on the resale of the dollar commodities. In addition to this modest inducement, the British authorities allowed themselves to be persuaded to undertake the experiment for the sake of taking a step towards convertibility and for the sake of reviving London's activities as an international commercial center.

At the time when the experiment was undertaken Britain's total cumulative deficit in relation to the EPU was about £60 million beyond the point at which full payment in gold commences. This amount, together with any monthly current deficit in relation to the EPU, determined the extent to which it was considered safe to grant licenses. Should the amount of licenses exceed that of the deficit Britain would stand to lose dollars through the re-export transactions in addition to her losses of gold through gold payments to the EPU.

Apparently the British authorities miscalculated themselves completely about the probable extent to which the new facilities would be used. They certainly did not expect the limit to be reached for several months. Instead, the "danger point" beyond which it became risky to grant further licenses was reached in a matter of days. This is the third occasion since the end of the war that they underestimated the rush on facilities of this nature. The first instance was the notorious failure of the convertibility attempt in 1947. The second instance was the unduly low limit of inconvertible sterling fixed in relation to Belgium. Before many days that limit was exhausted and Belgium was in a position to claim payment in gold.

On the present occasion the authorities ought to have been aware of the extent of the scarcity of dollars and famine for raw materials in the countries of Western Europe. They should have realized that the moment they declare themselves prepared to authorize the purchase of dollar commodities for resale to these countries they would be inundated with applications for licenses. Indeed, applications reached them by the hundred. In some instances single amounts involved were so substantial that if the authorities had met them in full they would have exhausted their limit in a shorter time. In a way it is doubtless gratifying that although this kind of business activity has been in abeyance for many years the resumption of facilities met with such response. At the same time this experience should serve as a warning. For it indicates what would happen on a much larger scale if in present circumstances unlimited convertibility were to be resumed.

By plunging into convertibility even on the limited scale of the August experience the authorities disclosed that 19th Century dogmatism is still deeply ingrained in their minds. They ought to know by now that conditions have fundamentally changed and that in prevailing circumstances Britain can ill afford to be doctrinaire. They are subject to criticism even from quarters which as a matter of principle are strongly in favor of an early return to convertibility. These quarters criticize the British authorities on the ground of having started the new scheme on an excessively broad basis. "It was an excellent idea" remarks "The Financial Times" editorial "to take advantage of the opportunity to earn commissions on dollar commodity deals presented by the bad technical position of Britain's EPU account. But with many European countries at their wits' ends to discover ways of keeping their heads above water on dollar account it was rash to go so far at the first step. Looking back it seems that an error of judgment was made and that the authorities by giving the impression of vacillation have neither improved the world's status of sterling nor lightened the eventual task of reestablishing Britain's former large transit trade in commodities. If the experiment is resumed next month the approach will have to be a more cautious one. All this, of course, is an object-lesson of what would happen if those who want to free the pound and make it convertible immediately had their way. How silly we should look and how soon!"

Anyway, the ill-advised experiment has one advantage. It should go some way towards making American opinion realize that the British Government is doing its best to honor the difficult undertaking given by its predecessor in 1945 in connection with the dollar loan agreement to do its best to return to convertibility as soon as practicable. Indeed, this experiment shows that the British Government is trying to progress towards convertibility even before this becomes practicable. Taking a long view this does not in any way bring nearer the moment when Britain can resume convertibility. For each failure makes it psychologically as well as materially more difficult to create a situation in which it would become possible to undertake convertibility with a reasonable change of success. The impatience displayed by American opinion in this respect and the persistent pressure brought to bear on the British Government from Washington may force Britain again and again into premature experiments which are foredoomed to failure. Such an attitude is liable to defeat its object.

National Bank Assets Up $3 Billion

Comptroller of Currency Delano states also that National Bank deposits likewise rose by $3 billion in second quarter of 1952 and exceeded by $6 billion figure of June last year. Loans and discounts were at all time high, and investments in U. S. bonds increased by approximately three-quarters of billion dollars.

According to Comptroller of the Currency Preston Delano, the total assets of national banks on June 30, 1952 amounted to nearly $102,000,000,000. The returns covered the 4,932 active national banks in the United States and possessions. The assets were nearly $3,000,000,000 more than the amount reported by the 4,933 active banks on March 31, 1952, the date of the previous call, and were nearly $7,000,000,000 more than reported by the 4,953 active national banks as of June 30, 1951.

Preston Delano

The deposits of the banks on June 30 were $93,000,000,000, an increase of nearly $3,000,000,000 since March, and exceeded by $6,000,000,000, the amount reported in June last year. Included in the recent deposit figures were demand deposits of individuals, partnerships and corporations of $52,235,000,000, which increased $1,628,000,000 since March, and time deposits of individuals, partnerships and corporations of $20,720,000,000, an increase of $557,000,000. Deposits of the United States Government of $3,669,000,000 were down $9,000,000; deposits of States and political subdivisions of $6,232,000,000 showed an increase of $173,000,000, and deposits of banks amounting to $8,587,000,000 increased $116,000,000 since March. Postal savings were $13,000,000 and certified and cashiers' checks, etc., were $1,534,000,000.

Net loans and discounts at the end of June, 1952 were $33,170,000,000, an all-time high. They were $818,000,000 above the March figure and almost $3,000,000,000, or 8%, above the June 30 figure last year. Commercial and industrial loans as of the recent call date were $15,363,000,000, a decrease of 2% since March, but loans on real estate of $7,848,000,000 were up 3% in the period. Consumer loans to individuals were $4,830,000,000, an increase of 9%, and all other loans, including loans to farmers, to brokers and dealers and others for the purpose of purchasing and carrying securities, and to banks, etc., amounted to $5,624,000,000, an increase of 10% since March. The percentage of loans and discounts to total assets on June 30, 1952 was 32.67 the same as on March 31, in comparison to 32.31 in June, 1951.

Investments of the banks in United States Government obligations (including $16,400,000 guaranteed obligations) on June 30, 1952 aggregated $34,695,000,000, which was an increase of $736,000,000 since March, and an increase of nearly $2,000,000,000, or 5%, in the year. The investments were 34% of total assets, compared to nearly 35% a year ago. Other bonds, stocks and securities of $8,391,000,000, which included obligations of States and political subdivisions of $5,810,000,000, were $314,000,000, or 4%, more than in March, and $810,000,000, or 11%, more than held in June last year. The total securities held amounted to $43,000,000,000, an increase of $1,000,000,000 since March, and an increase of over $2,000,000,000 in the year.

Cash of $1,256,000,000, reserve with Federal Reserve banks of $12,530,000,000 and balances with other banks (including cash items in process of collection) of $10,206,000,000, a total of $23,992,000,000, showed an increase of $674,000,000, or 3%, in the quarter.

The unimpaired capital stock of the banks on June 30, 1952 was $2,203,000,000, including $6,000,000 of preferred stock. Surplus was $3,176,000,000, undivided profits $1,253,000,000 and capital reserves $264,000,000, or a total of $4,693,000,000. Total capital accounts of $6,896,000,000, which were 7.42% of total deposits, were $105,000,000 more than in March when they were 7.52% of total deposits.

Henry Jeanes, Jr. Now With Laird, Bissell

PHILADELPHIA, Pa. — Laird, Bissell & Meeds, members of the New York Stock Exchange, announce that Henry S. Jeanes, Jr. has become associated with their Philadelphia office, Lincoln-Liberty Building.

Mr. Jeanes started in the securities business in 1927 when he became associated with Reed A. Morgan & Co. In 1928 he joined G. M. P. Murphy & Co. and was Manager of that firm at the time of its merger with Hornblower & Weeks. In 1942 he joined Graham, Parsons & Co. as resident manager and in 1946 became associated with Auchincloss, Parker & Redpath.

A Director of the Southeastern Pennsylvania Chapter, American Red Cross; a Trustee of the Atwater Kent Museum; a member of the Council of the Pennsylvania Historical Society and a Vice-President of the Oakbourne Colony Hospital at Oakbourne, near West Chester, Pa., Mr. Jeanes is a member of the Bond Club of Philadelphia and a Director of the Midday Club.

Mutual Funds

By ROBERT R. RICH

COMMENTING ON present market conditions, Delaware Fund last week said: "The indecision that has brooded over the stock market all summer has been the market's outstanding feature. Another interesting reaction, which may become almost a universal conviction, is that there will be a pronounced recession, or a full-dress depression, with the end of the armament boom—possibly beginning in 1953.

"If that conviction gets much wider spread than it is," the fund continues, "it might even contain the seeds of its own correction, without a necessary setback in the market. It is almost axiomatic that when 100% of the people interested in the market are convinced one way, they are sure to be wrong. So many people are already convinced that a serious setback is due within a couple of years that a large part of them may have already adjusted their stock holdings to match their convictions."

OUR BRAND NEW American mutual funds investing in Canadian securities aren't the only professional groups seeking investments north of the border. American life insurance companies, as of June 30, 1952, held more than $2.5 billion in foreign investments, of which approximately 95% was in Canadian bonds. On a breakdown of Canadian holdings, government bonds accounted for $1.5 billion; corporate bonds about $826 million, and the balance, mortgages.

By comparison, in 1939, life insurance companies held only $71 million, all in Canadian Government securities. By 1945, the investments reached over a billion.

A NATIONAL survey has been launched by Distributors Group, managers of Group Securities, designed to ascertain the extent of ownership of mutual fund shares by security salesmen.

An accompanying message describes Distributors Group belief that it is an important sales help when a salesman can truthfully tell his prospectus that he himself has invested some of his funds in that type of security.

The aid of leading retailing firms is being enlisted to distribute the questionnaires, which are confidential, to the members of their sales staff, and in return for such cooperation Distributors Group promises them a complete summary of the survey's findings.

MUTUAL FUNDS under the management of Boston Management & Research Company last month passed the $100,000,000 mark in total net assets for the first time, according to an announcement by William F. Shelley, partner of the management company. The mutual funds are Boston Fund, Canada General Fund and the Bond Fund of Boston.

Nearly $300,000,000 of this record asset figure is attributable to the growth of the three funds during the past 12 months.

NORTH AMERICAN BOND Trust, originally offered by Distributors Group for 82⅜ at the end of 1932 and for which Distributors Group has been depositor since 1932, is calling for the surrender of all outstanding certificates of interest in the Trust, City Bank Farmers Trust Company, the trustee, announced last week.

The trust's certificates of interest were dated Sept. 1, 1952 and were to terminate on Aug. 31, 1952, with the exception that if, in the opinion of the trustee, there existed an unfavorable market for liquidation, the end date could be extended.

Because the trust is believed to qualify under the Internal Revenue Act as a "regulated investment company," no provision has been made for any Federal taxes which may be incurred. The trustee will pay $118 to holders of the certificates. The trust since 1932 has paid out $1,124.60, including return-of-capital payments.

The portfolio, just before liquidation, consisted entirely of railroad bonds.

INVESTORS DIVERSIFIED Services has assembled and sold $22,000,000 in mortgage "packages" to meet the needs of banks and other lending institutions thus far in 1952, it was disclosed by Donald E. Ryan, Vice-President in charge of the I. D. S. mortgage department.

"The fact that we continuously create new mortgages in excess of our own investment needs has enabled I. D. S. to provide other lending institutions with large diversified m o r t g a g e 'packages' ranging in volume from $1,000,000 to $14,000,000," Ryan explained. Mortgages are available for selection from the portfolios of Investors Diversified Services, Inc. and its subsidiary, Investors Syndicate of America, Inc.

"Many lending institutions which formerly invested only in local mortgages are now faced with the problem of expanding their mortgage portfolios on a national basis, in order to find suitable outlets for their accumulating investment funds," Ryan said.

Savings banks and other large lending and investment institutions have found it more efficient and economical to purchase large diversified "packages" of mortgages which can be acquired and serviced as a single investment unit, rather than to acquire mortgage investments in smaller units spread across the country, Ryan pointed out.

Even the largest of such lending institutions find that assembling and acquiring a geographically diversified portfolio of mortgages from many sources can best be done via the purchase of large tailor-made mortgage "packages," it was stated.

OPEN-END REPORTS

BULLOCK FUND reports total net assets on July 31, 1952 were $14,475,791, equal to $24.86 per share, compared with total net assets of $11,655,165, equal to $23.72 per share, on July 31, 1951.

Included in total net assets on July 31 of this year was unrealized appreciation of $2,908,573 compared with $1,913,119 one year earlier.

Assets in the form of common stocks on July 31, 1952, accounted for 84.42% of total net assets. The largest group holdings in common stocks in approximate percentage of total net assets were oil shares representing 10.51%; railroads, 9.34%; utilities, 7.79%; steel, 6.41%; and non-ferrous metals 5.59%.

Investment changes in the three months from April 30, 1952, including purchases of the following shares of common stocks: 1,000 American Hospital Supply Corporation; 1,000 Diamond Alkali Company; 5,000 Empire District Electric Company; 1,000 Food Machinery & Chemical Corporation; 1,000 Kobacker Stores, Inc.; and 1,000 Washington Gas Light Company.

Holdings of common stocks in the following were eliminated from the portfolio: Caterpillar Tractor Co., Deere & Company, McLellan Stores Company, Southern Railway Company, and Sunstrand Machine Tool Company.

THE MARKET VALUE of the combined net assets in the 10 Keystone Funds on July 31, 1952 was over $220,000,000—up from $213,000,000 a year earlier partly as the result of appreciation in the prices of the underlying securities in several of the Funds.

Keystone Custodian Fund B-3 reported total net assets of $42,000,000 on July 31, 1952 compared with $39,000,000 on July 31, 1951. Per share asset value of $18.30, after the fiscal year-end special distribution of 16c per share from net realized security profits, was up from $17.90 a year earlier. The regular distribution from net investment income totaled 90c per share in fiscal 1952, the same as

Is the Market Out of Gas?

In olden days, when airplane rides were a novelty instead of a convenience for suburban travel, much of the discussion among passengers was "Look how high we are!" or "My, we've been up a long time," (the implication being that the plane was about to run out of gas).

And so it goes with current popular discussion about the state of the stock market. As with the old airplane rides, people are commenting about the market altitude, or pointing to the fact that this is one of the longest bull markets in history (the implication being that the market's about to run out of gas).

However, as most professional securities men know, yesterday's stock market isn't today's, and one share of General Motors (circa 1929), although it may be the same piece of paper, doesn't represent quite the same thing in 1952.

Axe Securities Corp. in a simple analysis of General Motors common stock seeks to shed some light on the height of the market (running the danger of eliminating it as favorite lunch-table talk) by looking at what's behind those GM shares traded on the board every business day. Here are some of the answers.

Comparative Table per $100 of Market Value at 1929 and 1952 Highs for General Motors Common Stock

	Dec. 31, 1928, at 1929 High	Dec. 31, 1951, at 1952 High
Cash and securities	$5.41	$10.21
Receivables	1.31	10.37
Inventories	5.02	21.18
Current assets	$11.75	$41.77
Plant and equipment	13.60	17.49
Investments	4.21	6.44
Goodwill, patents, etc.	1.09	1.17
Other assets	0.50	1.30
Total assets	$31.15	$68.17
Current liabilities	4.34	14.72
Minorty interest	0.09	0.03
Preferred stock	3.38	5.26
Reserves and other liabilities	5.23	4.97
Total liabilities	$13.04	$24.98
Common stock	10.90	8.19
Reserves for contingencies	0.06	1.46
Surplus	7.15	33.53
Common stock equity	$18.11	$43.18

in fiscal 1951. Unrealized appreciation on July 31, 1952 amounted to more than $5,000,000—about $2.18 per share on the 2,310,111 shares outstanding.

Keystone Custodian Fund S-4 reported net assets on July 31, 1952 of $9,000,000 compared to $10,000,000 a year earlier. The decrease was due entirely to liquidation of the fund's shares by investors.

Per share asset value moved during the fiscal year from $6.40 to $6.91 after payment on July 15 of a 50c per share special distribution from net realized security profits. The fiscal 1951 special distribution amounted to 57c per share. Payment from net investment income totaled 30c per share in fiscal 1952. Unrealized appreciation at the 1952 fiscal year-end amounted to $2,000,000.

Eliminations from Keystone's B-3 fund portfolio during the six months ended July 31, were: Alan Wood Steel Co. 1st 5s, 1963 w.w.; Hotel Waldorf-Astoria Corp. Non-Cum. Inc. 5s, 1954; Lehigh Valley Coal Co. 1st (Stp'd) 5s, 1974.

There were no additions.

Portfolio eliminations from Keystone S-4 were American Colortype Co.; American Maracaibo Co.; Barium Steel Corp.; Beaunit Mills, Inc.; Columbia Pictures Corp.; Consolidated Coppermines Corp.; Continental Baking Co.; Fairchild Engine & Airplane Corp.; Gair (Robt.) Co., Inc.; Gimbel Bros., Inc.; Goodall-Sanford, Inc.; Interstate Dept. Stores, Inc.; Intex Oil Co.; National Airlines, Inc.; Thatcher Glass Mfg. Co., Inc.; Union Asbestos & Rubber Co. and White Motor Co.

The following additions were made: Beckman Instruments, Inc.; Chicago & North Western Ry. Co.; Claude Neon, Inc.; Piasecki Helicopter Corp.; South Carolina Elect. & Gas Co. and Standard Gas & Electric Co.

PERSONAL PROGRESS

APPOINTMENT of Arthur W. Flannagan of Minneapolis, manager of the company's home office new business department was announced today by Investors Diversified Services, Inc. A native of St. Paul and a graduate of Mechanic Arts High School there, Flannagan attended the University of Minnesota before joining I. D. S. in 1933 as a messenger boy. He won successive promotions in the company's bookkeeping and accounting departments and has served as manager of both certificate and mortgage accounting before being assigned to his present post. He served in the United States Navy during World War II.

SEC REGISTRATIONS

FIRST INVESTORS CORPORATION on Aug. 28 filed with the SEC an aggregate of $23,000,000 of Plans for the Accumulation of shares of Wellington Fund. Underwriter: The Wellington Company of Philadelphia.

CORPORATE LEADERS of America on Aug. 25 filed a registration statement with the Securities & Exchange Commission covering "Corporate Leaders Trust Fund Certificates series B," including $20,000,000 in periodic payment certificates and $750,000 in single payment certificates.

GROWTH INDUSTRY SHARES on Aug. 27 filed a registration statement with the SEC covering 40,000 shares of its $1 par capital stock.

INVESTMENT TRUST of Boston on Aug. 27 filed a registration statement covering 500,000 shares of beneficial interest in the trust.

VALUE LINE INCOME FUND on Aug. 11 filed with the SEC a registration statement covering 800,000 shares.

Col. O. J. Troster Returns to Desk

Colonel Oliver J. Troster, partner in Troster, Singer & Co., 74 Trinity Place, New York City, is back at his desk after having been on active duty for the two years with the 307th Replacement Depot in Sonthofen, Germany.

Oliver J. Troster

Colonel Troster returns after adding another chapter to a long and distinguished military career which began in 1916 and for which he has received numerous decorations. Included in these are the Silver Star, the Legion of Merit, the Bronze Star and an Army Commendation.

Well known in New York financial circles, Colonel Troster is past President of the New York Securities Dealers Association. He has been a resident of Yonkers, N. Y. for many years and is a trustee of the Peoples Savings Bank there.

Troster, Singer & Co. maintain direct private wires to the following securities dealers: Baker, Simons & Co., Detroit; Edgerton, Wykoff & Co., Los Angeles; Fusz-Schmelzle & Co., St. Louis; Gottron, Russell & Co., Cleveland; H. A. Riecke & Co., Inc., Philadelphia; B. E. Simpson & Co., Denver; Young & Co., Inc., Pittsburgh.

James M. Landis Dir. Of F. Skiatron Corp.

NEW YORK, N. Y.—The election of James M. Landis, widely known attorney and possessor of one of the most distinguished careers in government service, to the Board of Directors of Skiatron Electronics & Television Corporation was announced Sept. 2, 1952 by Arthur Levey, President.

Mr. Landis is a former Chairman of the Securities and Exchange Commission, the Civil Aerouautics Board and Civilian Defense. He has served as a member or consultant of the Federal Trade Commission, the National Power Policy Commission, the War Department and the Air Coordination Committee. He is also a former dean of the Harvard Law School.

With H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Donald G. Corley has become connected with H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

VALDOSTA, Ga.—Jack S. Jennings is with Waddell & Reed, Inc.

Securities Salesman's Corner

By JOHN DUTTON

In the August 14 issue of the "Chronicle," on page 26, I wrote about a retail firm in New York City that has a system for procuring leads for its salesman in sufficient quantity to almost insure successful results for any salesman—even a beginner if he will work. Obviously, this has created quite a bit of interest since I have received inquiries from other dealers throughout the country concerning his method of operation. It appears that the problem of many retail firms is to obtain qualified leads in their territories. They have the usual sales obstacles, but it appears that if they can obtain good leads they are able to show profitable results as to sales completed.

Territories Differ

It is, of course, true that in certain parts of the country investors are interested in other forms of investment rather than in securities. In certain parts of Texas and Oklahoma, for example, investors are more familiar with oil royalties and the acquisition of production. In Florida there has been more interest in citrus, and cattle land, as well as real estate. In the Middle West there are sections where farm land and suburban real estate are in favor. This is also true in some other sections of the South.

The problem of securing qualified lists of stockholders, or people who do know something about securities and would therefore be more interested in obtaining information about the stocks or bonds which they already own, resolves itself into a simple proposition of obtaining good lists for circularization. There are such lists and any dealer can locate them through regular sources of supply.

There are list houses in New York City, also a number of individuals who have been engaged in this business for years. In this connection I do no believe that generalized lists such as: People who are rated at $50,000 or $100,000, or lists taken from income tax records, or other such groups, are worth nearly as much as a good stockholders list. The possibility that many wealthy people are not security minded at all is so great that the time wasted in weeding out those who will not be interested is far too expensive a proposition.

If you are looking for investors; if you desire to meet people and help them do a creative job of estate planning, then you will obviously want to meet people who are conservative in their approach to investment. There are people who own such stocks as A.T.&T., or other good utility stocks, that operate in your particular locality. The local power company list, or the lists of big name utilities such as Consolidated Edison of New York, etc. will hold the names of conservative minded people. If you can find a situation such as existed in United Fruit Co. several months ago, when the political situation in Central America was upsetting to the stockholders, you will have a combination of (1) Conservative minded investors and (2) A feeling of uncertainty and doubt about the effects upon the value of one of their investments. This "double shot" timing of a mailing is usually productive of many replies.

In such a case you can send out an offer of information regarding the effects of these adversities upon the outlook for the stocks in question. The replies will be worthwhile because there is a personal and selfish interest on the part of the prospect to protect his interest.

A Good Mailing Piece

After you have acquired a productive list then you must have a message, and it should be presented in such a manner as to make the reply easy for the recipient. One of the best mail pieces I have seen in this connection, is a combination letter that encloses a pull-out card which needs no addressing or signing. All the prospect does is put it in the mail. It is expensive but it pays. The cost per lead goes down if you get the volume of replies.

Have a Program

One of the leading direct mail specialists in advertising for the securities business once said to me, "I don't understand most of the advertisers that I meet in the investment business. They jump around all the time. They start off one day with what appears to them to be a good idea. They keep at it for a month or two, then someone tells them something else and they try that. They advertise spasmodically and, of course, their results are poor. What works in other lines of business will also pay off in the securities business. It is simply a matter of a long range program that is soundly conceived from the start, with ample funds allocated to the job, and the will to work at it until momentum itself begins to carry you along. But you simply cannot expect to make a success out of a direct mail campaign unless you do these things."

Drexel & Co Adds N. Bentley to Staff

Drexel & Company, 14 Wall Street, New York City, announces that Norman B. Bentley is now associated with their firm as an institutional salesman. Prior to joining Drexel & Company, Mr. Bentley has been associated with Harris, Hall & Co., Inc. in both their Chicago and New York offices.

Janney Co. Reopens Pittsburgh Office

PITTSBURGH, Pa. — Janney & Co., investment bankers, announce the reopening of their Pittsburgh office at 902 Commonwealth Building, under the management of Walter J. Carroll, who succeeds the late Alexander F. Taylor.

Elected Directors

CHICAGO, ILL.—Everett Ware Cady, New York, and David Altman, Chicago, have been elected directors of Nesco, Inc., large midwest manufacturer of housewares, it was announced today by Arthur Keating, Chairman of the Board.

Mr. Cady is a special partner of Carl M. Loeb, Rhoades & Co., New York investment firm, and a director of the Budd Co. of Philadelphia. Mr. Altman is a prominent attorney and tax consultant.

Midwest Stock Exchange Appoints Donald Rogers

CHICAGO, Ill.—James E. Day, President of the Midwest Stock Exchange, has announced that the Board of Governors had approved the appointment of Donald Rogers as Assistant Vice-President in the Auditing Department.

Continued from first page

As We See It

can be, no such growth. Government is powerless either to effect such growth or to incite it—except by administering an even handed justice and then getting out of the way so that private initiative and individual energy may have full play. Acceptance of this elementary principle at once condemns many of the proposals of the politicians and very nearly all of the New Deal and the Fair Deal. Such an idea is poison to those who wish to perpetuate semi-socialism, but it is the simple truth and the sooner it is recognized and faced the better for us all.

A Waste of Breath

Not only is all this political talk about an "expanding economy," pure poppy-cock, but it is a sheer waste of breath. Nothing in this world but government interference with natural forces can prevent us from growing or becoming increasingly strong. Nothing has kept us from doing so in the past. We have moved ahead despite governmental bungling, and political meddling, particularly in the past decade or two. We shall doubtless continue to do so in the future despite whatever handicaps are imposed by the political humbugs and the popular spellbinders, but we should move ahead faster and more surely if this load could be removed from our backs.

The thing that seems to block full acceptance of this axiomatic truth—or which, at all events, prevents action fully consistent with it—is the hope and belief of this, that and the other minority group that it can somehow "get something" out of a kindly government or administration, and the belief on the part of the "practical politicians" that they can get something for themselves by promising these pressure groups all sorts of things. Now, no one can deny that it is possible for the government to take from him who hath or is producing and give to him who hath not or is not producing at the rate that he would like to consume.

Carried too far, however, even this process is self-defeating. Government can come to the aid of the embattled farmer only at the expense of some other element or elements in the population. Much the same is true of the veterans, the aged, the monopolistic labor organizations and all the rest of those who now regularly demand of government, and all too frequently obtain from government, assistance either direct or indirectly by various types of legislation which make it possible for these groups to prey upon the remainder of us. Unless the farmer and all these others are able and willing to stand on their own feet and produce enough to give them what they want, then they will contribute nothing to that economic strength about which we hear so much these days. Indeed, they are likely to detract from it in proportion to their unwillingness to look after themselves.

There are a number of corollaries to this general truth. One of them is this: What we usually hear referred to as incentive taxation is useless and destructive rather than helpful—that is taxation designed to make it costly not to do what the politicians would like to have done, or profitable at some one else's expense to do what is desired. Another is that effort by a paternalistic and nosy government to alter the flow of the output of the economy in such a way as to increase the relative amounts received by the "underprivileged" in the mistaken belief that this will lay the basis for a more abundant life for all.

More Nonsense

Claims that by curtailing the incomes of the wealthy and increasing those of the less fortunate or less energetic, we have laid the basis for a depressionless society is another of the notions which are quite contrary to the simple truth. We have been surprised and shocked at the number of reputable economists who of late have taken a definite stand to the effect that we have learned to eliminate what is commonly known as the business cycle—partly at least by a redistribution of the output of the economic system. But whether economists or just politicians, they are wrong.

We can and will continue to grow and be strong—but no thanks are due the politicians!

Continued from first page

Investment Planning for Income and Sound Growth

plan and extreme care in investing for income and sound growth.

Four Major Aims

The plan should have four major aims. These are (1) stable and liberal income, (2) protection for principal, (3) growth of principal, (4) occasional profits.

While the income yield will vary with business conditions, the logical first requirement for this fund is as liberal and stable an income as possible.

There are times when recession conditions will force lower income; and there are times when accepting a little lower return temporarily will be good business in order to accomplish the other aims. Most of the time a good yield can be obtained.

Further on we suggest a plan, which includes strong reserves, that will yield an over-all return of about 5¼% to 5¾% under present conditions, depending on the proportion of reserves.

Protection for principal is a logical second aim for the fund. We can hardly place it first because maximum protection for the principal would require investments that would yield only about 3%. Reasonable risk must be taken to get the necessary return.

In the old days when good bonds paid 6% and 7%, and the dollar was more stable in value, liberal income and protection for principal were not so difficult to obtain in one package.

Now we have to protect the principal against both inflation and deflation, and to do this and to get the necessary yield we have to deal with common stocks.

Many of us have witnessed the market prices of common stocks, as indicated by the Dow-Jones Industrial Average, swing from 66 in 1921 to 381 in 1929; to 42 in 1932; 194 in 1937; 93 in 1942; and 274 today.

Therefore a good deal of thought must be given to protection for principal. Much of the price fluctuation can be ignored if the basic situation is sound. But we want to avoid big declines in value to the extent possible; and we want to have some cash to buy with when good stocks are on the bargain table. All of this will protect and increase income in the long run.

We not only want to protect the value of the fund, but we also want to see it grow. Therefore growth of principal is a reasonable third aim.

This can be achieved by good selection of common stocks and good timing of purchases. With all of the potential further progress now on the drawing boards and in the test tubes of America we should be able to count on growth in the period ahead. We'll speak about timing of purchases a little later on.

As the fourth aim we have listed occasional profits. Profit-taking is the tool to achieve the second and third aims, protection for, and growth of, principal.

By "freezing" some of the high values in big bull markets the principal value is protected. If part of the proceeds of the profit taking is held in price stable reserves the cash is provided to buy to good advantage at lower levels, thus aiding growth of principal.

Securing Success of Plan

To insure success for the plan, basic investment policies should include: (1) good timing, (2) selectivity and diversification, (3) constant supervision, (4) patience.

As we have to deal with common stocks that range widely in market price, good timing of purchases is essential.

Du Pont would be a good stock to have in any list, but is it a good buy today at 88? On the basis of the present stock it has sold at 5½ in 1932, 45 in 1937, 26 in 1942, 56 in 1946, and 41 in 1948. It sold at 102 last year. The present book value is about $25. It is certainly worth a good premium above the book value but we think it is too high for advantageous purchase now. Many of the other so-called "blue chip" stocks have also been bid up beyond good buying prices.

In addition to good timing on purchase of individual stocks there is the general market level to watch. One of the great attractions of common stocks is the fact that every so often they can be purchased at bargain prices.

To use du Pont as an example again, let us see how advantageous this can be in a market decline even as relatively moderate as in 1946. In that year the Dow-Jones Industrial Average dropped from 212 to 163 in five short months between May and October. At the high of that year you could have bought 53 shares of du Pont for $3,000. But at the low of the year you could have bought 75 shares for the same $3,000. Today the **extra** 22 shares are worth over $1,900! This is a 63% gain on the $3,000 for the **extra** shares alone.

Many investors do not have much cash to buy in low markets because they usually have bought at higher levels when enthusiasm was rampant.

We suggest reversing this process by some reasonable profit taking at higher market levels and putting some of the money "on the shelf" for good use later on, when many more income producing shares can be bought with the same dollars.

This policy takes some strong determination because the stocks will probably continue to rise temporarily after they are sold; and the urge to buy when the market is booming is almost uncontrollable. Likewise, hardly anyone feels like buying when stocks are cheap.

We suggest **insuring** good timing by adjusting proportions of reserves. We discuss reserves a little later on.

Obviously, selectivity is very important to the success of our plan. Industries and individual companies that have better than average prospects must be persistently searched out. At the same time we must be sure there is able management and that earning and dividend paying records have been sound.

To doubly insure participation in the good things ahead and to control risks, we also suggest reasonably wide diversification of common stock funds. A rough rule of thumb is to place not more than 15% of such funds in one industry nor 5% in one company.

Constant supervision of the portfolio holdings is also an obvious necessity. The diesel locomotive puts the steam locomotive out of business; television causes a great upheaval in the entertainment industry; managements slip behind in the competitive race; and government regulation may strike anywhere next. In the coming years especially, the new technologies and discoveries may easily change the outlook for a whole industry.

The fourth policy, patience, can be one of the most rewarding of all. To some investors it lacks glamor, but actually it is very shrewd and can pay off handsomely. The law of action and reaction eventually operates and the conditions arrive for which provision has been made. The investor is in a position to take advantage of the opportunity.

Dividing Portfolio Into Three Parts

For the purpose of applying these policies to achieve the aims of the plan we suggest dividing the portfolio into three parts: primary reserves, secondary reserves, and variable type securities.

We advocate moving funds from variable securities, such as common stocks, into the reserve sections of the portfolio as prices reach higher levels; and reversing the movement when stocks are available at bargain prices.

Primary reserves should be available at "100 cents on the dollar" whenever needed. These are reserves for emergencies and for good buying.

From the standpoint of good buying it would be best to have all reserves in primary form. However, when reserves are large as in the present 20-year high market levels, it is difficult for the income investor to get along on the low yield on these reserves.

We therefore advocate secondary reserves that will produce a better yield but will be materially more price-stable than common stocks.

We are currently recommending 30% of the portfolio value be in primary reserves, 35% in secondary reserves, and 35% in variable type securities such as common stocks.

Some clients tell us it is not feasible to reduce their common stocks to this extent because of income needs. We urge these clients to make every effort to reduce them to at least 50%, even though it may be necessary to augment income by use of part of the profits.

We are recommending these conservative proportions because the market is in its 20-year high levels. There are many inflationary factors still latent in the economy, but most of the evidence points to lower price levels somewhere ahead.

For primary reserve investments we suggest insured bank savings and Savings & Loan Association deposits, U. S. Savings and short-term U. S. Treasury "market" bonds.

For secondary reserves we suggest medium quality higher yielding corporate bonds and good quality preferred stocks.

At this time convertible preferred stocks are particularly attractive because of the threat of further inflation. In purchasing such issues we suggest: (1) average risk or higher quality grade; (2) pay only very close to call price to avoid loss by call; (3) reasonably liberal yield to compensate for market price fluctuation; (4) pay only a reasonable premium over the conversion value for the conversion privilege; (5) good prospects for the industry and company.

We believe the following issues, yielding an average of 4.80%, meet these requirements at this time:

Issue	Approx. price	Yield
Holly Sugar 5%	28	5.30%
Public Service Elec. & Gas $1.40 pref. com.	27½	5.10
Gen. Telephone 4.75%	53	4.40
Texas East. Transmission 4.75%	100	4.75
Heyden Chem. 4.375%	96	4.55

For the variable section of the portfolio we suggest good quality common stocks. Although the market in general is in its historically high levels there are many issues available at attractive prices.

In selecting common stocks we suggest the following requirements at this time: (1) good quality, in view of the high market levels, (2) liberal yield, (3) reasonable price in relation to former price ranges for the stock and the general market, (4) reasonable price in relation to earnings, (5) reasonable price in relation to book value, (6) ample earnings coverage for the current dividend rate, (7) good dividend paying record, (8) good growth in book value over the past several years, (9) evidence of past growth by stock splits, etc., (10) better than average prospects for industry and company.

We have not included one item that is often thought advantageous. This is, little or no debt ahead of the common stock. In our opinion the debt, if not excessive and properly used, can be an advantage to the common stock from the standpoint of growth and earnings. We think the test is whether or not the borrowed money is being skillfully and soundly put to work.

In our opinion the following common stocks meet these requirements at this time; yielding an average of 7.50%:

Issue	Approx. price	Yield
Chain Belt	37	8.4%
Island Creek Coal	33	9.0
Pullman. Inc.	42	8.3
Nopco Chemical	21	7.3
American Tobacco	57	7.0
Western Auto Supply	50	8.0
Bendix Aviation	54	5.7

All these issues are rated average risk quality grade except Bendix Aviation. Although it is rated speculative, this issue is included because of exceptional growth prospects.

As to the other requirements, the average of this list shows the yield is 7½%; the current price is 32% below the 1946 high, while the Dow-Jones Industrial Average is 30% above the 1946 high; the price is only 8.5 times earnings; the price is slightly under the book value; the current dividend was earned 1.6 times in 1951 (and interim earnings are satisfactory); dividends have been paid continuously for 37 years; book value has increased 88% since 1941; the stocks have been split 1.3 times. Pullman and Bendix Aviation do not qualify on the last point but Pullman is retiring stock; and we are willing to forego this feature on Bendix Aviation for the reasons mentioned.

As to the 10th requirement, good prospects for industry and company, the stocks represent the machinery, coal, railroad equipment, chemical, tobacco, chain store, and electronic industries, which we think have better than average prospects in the period ahead. The companies have able and aggressive management, and there is strong emphasis on product and market research and development.

Applying our current recommended portfolio proportions and the average yields outlined above to a $50,000 investment list, we would get an over-all return of 5.20% as follows:

30%	Primary Reserves	$15,000	@3.00%	$450
35%	Secondary Reserves	17,500	@4.80%	840
35%	Common Stocks	17,500	@7.50%	1,312
100%		$50,000		$2,602—5.20%

For those investors who feel that 50% in common stocks is necessary, these yields would produce 5.70% as follows:

25%	Primary Reserves	$12,500	@3.00%	$375
25%	Secondary Reserves	12,500	@4.80%	600
50%	Common Stocks	25,000	@7.50%	1,875
100%		$50,000		$2,850—5.70%

Summarizing, investment planning for income and sound growth should have as its aims: (1) stable and liberal income, (2) protection for principal, (3) growth of principal, and (4) occasional profits.

The basic investment policies should include: (a) good timing of purchases and sales, (b) selectivity and diversification, (c) constant supervision, and last but not least (d) patience.

The tools for achieving these aims and policies are adjustments in the three portfolio sections, primary reserves, second reserves, and common stocks.

Inv. Women of San Antonio to Meet

SAN ANTONIO, Tex.—Investment Women of San Antonio will install Miss Olga Kocurek, of Rauscher, Pierce & Company, as


Olga Kocurek


Mrs. Lorene Robbins

their new President on the occasion of the club's Annual Dinner Meeting to be held Sept. 9, at 6:30 p.m. in the Tapestry Room of the St. Anthony Hotel. Other new officers to be installed are Mrs. Lorene Robbins, of Bache & Company, as First Vice-President and Education Chairman; Mrs. Pauline Johnston, of Rauscher, Pierce & Co., as Second Vice-President and Social Chairman; Mrs. Carol Clift, also of Rauscher, Pierce & Co., as Recording Secretary; Mrs. Rose Parkhill, of Lentz-Newton & Co., as Corresponding Secretary; and Miss Ann Legleder, of Russ & Company, as Treasurer. Mrs. Mildred Dearing of Austin, Hart & Parvin, and Miss Peggy Rose of Merrill Lynch, Pierce, Fenner & Beane, will also be installed as Members-at-Large to the club's Executive Board.

John D. Williamson, Vice-President of Dittmar & Company and current Chairman of the Texas Group, Investment Bankers Association, will address the group on "The Activities and Benefits of Investment Banking Organizations." Also, the retiring President of Investment Women, Miss Eithel Evans, and other retiring officers will report on the educational and fellowship activities carried out by the club during the past year. The installation ceremony and presentation of gifts to retiring officers will be conducted by Miss Loraine Hislop, of Dittmar & Company.

Invitations, as special guests of the club, have been extended to the members of the club's new Advisory Council, who are Arnold J. Kocurek, John P. Henderson, Joseph Rubin, William C. Porter, Edward H. Austin and Edward H. Keller and to other principals of investment banking firms whose women employees are members of Investment Women of San Antonio.

Cecil J. Cox of Columbian Securities Corporation will be host to a cocktail hour preceding the dinner meeting, as a special compliment to the club's retiring officers and officers-elect, and invitations have been extended to all members and guests who will attend the dinner meeting. This will also be held in the Tapestry Room of the St. Anthony Hotel and will begin at 5:30 p.m.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A rather jumbled and defensive Government market is still marking time with price movements indecisive because there seems to be a period of waiting for developments in the money tightening policies of the monetary authorities. Volume and activity are restricted and this is responsible in no small measure for the quoting up and down of prices, with very little of importance trend-wise attached to these quotation movements. To be sure, there has been a modest amount of business in the shorter end of the list, but this has been mainly for the investment of surplus corporate funds, according to reports. Some of the higher yielding Treasuries have been taken on by pension funds of both the private and state variety, but in not large amounts. Scale order executions have been the answer in some cases, whereas in others maturity buying has been the reason.

There have been no leading issues in the market for quite a spell now, since the limited flexible interest rate policy of the monetary authorities seems to have put the whole market in an uncertain position. Commercial banks here and there, however, continue to have some attraction for the 2⅜s of 1958 in limited amounts.

Market Continues Under Pressure

The Government market continues to back and fill, with activity still on the limited side, because there is no clarification yet of the many uncertainties that go along with the tight money policy of the authorities. Whether there will be changes in the existing course of events, will mostly likely be determined by the increase or decrease on the inflationary pressure. The trend of business conditions, it seems, is going to be the determining factor in the future level of interest rates, and the availability of credit, and not the financing needs of the Treasury.

In other words, the demand for credit evidently is going to have great weight in setting the interest rate pattern. When business is on the upswing or under the influence of inflationary forces as it is now, rising interest rates can be expected. On the other hand, if business activity should turn down, lower rates of interest should be expected. This so-called limited flexible interest rate policy of the authorities is not new and it has had a fair amount of success in the past. However, there are certain limits to such a policy because if carried too far, it can defeat its own purposes. Commercial banks in order to get needed reserves have been borrowers from Federal. This is an important phase of the program. As long as interest rates do not go too high this will no doubt be continued and control of credit will be maintained by the powers that be. On the other hand, if the level of interest rates is allowed to go so high that the deposit banks find it more advantageous to sell Government obligations in order to create required reserves, the credit limiting and anti-inflationary policies of the Central Banks would lose most of their effectiveness.

Thus it seems as though the flexible, but limited changes in interest rate policy of the monetary authorities cannot be a cure-all for the inflationary pressure if they should get too strong. Also, there is considerable question whether many of the so-called inflation symptoms or potentials are going to become full grown forces of pressure with the passing of time. The answer to this, and the future level of interest rates should not be too long in coming.

Prices at 1951 Year-End Levels

The Government bond market, because of the money tightening policies of the powers that be, has given up about all the progress it made price-wise since the end of last year. This is noticeably so of the eligible obligations, with the longest maturity in this group just about where it was at the close of 1951. The 2¼s of 1956/59 are selling at levels that are below those at the finish of last year. The same is true of the 2½s of 1956/58, and nearly all of the shorter maturities of Treasury obligations. As for the ineligible bonds, prices are just a shade above where they were at the close of last year. This minor price differential in favor of current quotations compared with those reported at the end of 1951, may not continue long, because a return to lows of 1952 would carry these bonds below the prices that were prevailing at the end of last year. The partially exempts have been no exception to the rule, because they have also gone the way of all flesh, with prices now well under those shown at the close of last year. It seems to be the same old story all over again, it does not take too much to wipe out gains whether they be in Government bonds or equities.

Eligibility Factor's Influence Nil

What has happened to the eligibility factor in the Government bond market? Considerable has been written about this as an important force in the market, especially from the standpoint of how much it added to the attractiveness of the eligible obligations compared with the restricted issues. To be sure, there have been many times when this was an important point of consideration when making investments in these securities. And likewise, there were price differentials that bore out these contentions. However, with the money tightening policies of the monetary authorities, and especially with its effect upon the commercial banks, the eligibility factor, and its importance price-wise and as a market force seems to have largely disappeared for the time being.

Rejoins Cruttenden Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Godfrey Reinhard has rejoined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Reinhard has recently been with A. G. Becker & Co.

Joins Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton R. Aronson has become affiliated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Gross, Rogers & Co. and prior thereto was with Edgerton, Wykoff & Co.

Arthur W. Fenton With Rodman & Linn


Arthur W. Fenton

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur W. Fenton has become associated with Rodman & Linn, 209 S. La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Fenton was formerly in the Trading Department of Ames, Emerich & Co., Inc., and prior thereto was with E. H. Rollins & Sons, Inc.

Richard Gibson Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard F. Gibson has become associated with Francis I. du Pont & Co., 722 South Spring Street. Mr. Gibson was formerly with Walston, Hoffman & Goodwin and Hopkins, Hughey & Co. In the past he was an officer of Laswell & Co.

Edgar Romans Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Edgar D. Romans has become associated with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building. Mr. Romans was formerly an officer of Shepard, Romans, Inc.

G. F. Beal Elected

Gerald F. Beal, President of J. Schroder Banking Corp. and Schroder Trust Co., and a director of Schroder Rockefeller & Co., Inc., has been elected Chairman of the Board of International Railways of Central America. He had been a director of the railway company since 1935.

Continued from first page

Our National Wealth— Is It Increasing?

uncompensated property alienation on a scale heretofore unknown in human affairs.

That which I propose is to point out how erroneous this belief is in respect to the nation as a whole as distinguished from the separate individual who may or may not be better off as his personal affairs may indicate. I shall also point out the dangerous character of this belief which underlies and prompts proposal and acceptance of vast and unwarranted spending programs one following the other in quick succession as the supposed wealth of the nation appears to increase.

I

You will not question that in the prosecution of the war and the implementation of postwar policies, an immense quantity of the nation's material wealth, assembled, fabricated, and transported by the highly paid effort of tens of millions of persons, was destroyed or given away. Natural resources, ores and metals, oil, gas, coal, timber, sulphur and chemicals, even the fertility of the soil were unsparingly consumed. The destroyed things no longer exist. That given to foreign governments no longer forms part of our national store.

Neither will you question the statement that in terms of value the asset accounts of the individual and corporate suppliers of these destroyed or alienated things reflect nothing of their disappearance, that on the contrary they record in the aggregate the receipt of a full equivalent in value plus profit for everything supplied and every service rendered. Nor will you question that they record as well the payment of billions of dollars of income, profits, and excess profits taxes upon the income and profits presumed to have been secured by owners in selling things to the Government for immediate destruction or alienation.

I now beg you to reflect upon this most interesting and inescapable conclusion: Under our existing monetary and accounting theory and practice should that melancholy end be reached where the last item of the people's material wealth shall have been purchased by Government and destroyed or given away, the nation's books of account will record the people as a whole at their highest pinnacle of monetary worth and affluence.

Can it be doubted that there is something amiss here? War is the consumer and destroyer of wealth, not its creator. Few, perhaps none, have been as destructive as the last. Moreover, the material things given to foreign governments have disappeared from the nation's stock. So I do not hesitate to suggest that when the aggregate wealth of a people, as calculated from their books of account, is shown to have grown greater, despite war and fabulous benefactions, and when under their accounting practices their wealth must be shown to have become continually greater as property is purchased by government and immediately destroyed or alienated there is reason for pause and sober reflection.

II

What is the explanation of this impossible thing which our account books would have us believe is the truth?

The explanation is that an illusion of wealth, actually nonexistent, has been created by the printing and issuance of irredeemable paper money by government in payment for services and supplies consumed in war and benefactions. This practice has generated false concepts respecting the nature of wealth and its creation and accumulation. Name, form, and government fiat have been accepted as things of substance and reality. We are not the first people to suffer from this delusion. We are merely one of many now laboring under it. In the fateful repetitions of history it is unlikely that we will be the last.

Because of this practice by government the people are compelled to attempt a vain thing, the measurement of intrinsic value in terms of an intrinsically valueless thing. Depending upon fiat, and that alone, the worth of the dollar, our standard unit of value, changes irregularly and without notice. Yet for purposes of measuring value, and ascertaining profit and loss, this unstable and changing unit is assumed to be as fixed and permanent as the links and chains of the surveyor or the rule and square of the builder. It is this spurious assumption, adhered to in our accounting despite full knowledge of its falsity, which has led us and still leads us into grotesque error.

III

The country's lawful medium of exchange and unit of value is the dollar. It is irredeemable paper. To an owner it has worth not because it is a thing of value, as in case of minted coin, but because decreed by government to be legal tender. This is worth by fiat and that alone. It is variable and unsettled depending from day to day upon the policies and conduct of government and the confidence reposed by the people in the edicts of the government. It is capable of complete disappearance. Many times the total worth of such money by fiat has disappeared. For more than a decade, following historical precedent, the worth of this dollar as demonstrated by its purchasing power has been steadily disappearing. Present policies of government point clearly to a continuance of this wasting process.

Yet this thing, the worth of which rests only upon fiat or instruments payable in it, forms a substantial part of the wealth which the American people believe themselves to possess. A great part of it came to them from the government in exchange for things of real and tangible value no longer in existence. In the first instance it was entered upon someone's books as the equivalent in value plus profit of that with which he parted. In the course of trade it has passed from ownership to ownership. Was this irredeemable paper money wealth? In its issuance did the government exchange wealth for wealth? Did it in this manner maintain the wealth of the nation unimpaired? Or on the contrary did it do more than give suppliers of things destroyed or alienated a transferrable call upon a ratable portion of the time and property remaining to their fellow citizens?

IV

Factually this is what happened. When from individuals and corporations the government undertook to acquire services and things of value for war and destruction in war and for gifts to foreign governments it possessed neither sufficient gold, nor metal of any kind, nor anything of real or tangible value to give in exchange. A moderate portion of the cost it secured from the existing supply of money through taxation and the sale of the government's bonds to individuals. But this was far from sufficient. How did it secure the additional money? The method is technically described as monetizing the government's debt. Our interest is in the character of this money and the end result.

Simply stated, the additional money it required and spent the government secured by printing upon paper the statement that the paper constituted money, and decreeing that it must be accepted as legal tender. This meant that it must be accepted in satisfaction of all obligations including those of or to the government itself. As to its present and future worth, the government assumed neither obligation nor responsibility. It was left to the present or future owner to get for it what he could.

And here is the end result. From every section of the country were transported material things of tangible value assembled for fabrication into articles to be immediately destroyed, given away, or useful only in war. The labor of multitudes of people and the wear and tear of the entire industrial and carrying mechanisms of the country went into the process. The major part of that which this vast effort and sacrifice produced over a period of years no longer exists. Among the possessions of the people, where once were to be found desirable things of intrinsic value, one now finds paper money or obligations payable in such money. This paper its owners cherish and treasure because as legal tender it is worth to them some ratable part of the nation's purchasable things and services. But from the standpoint of the entire people, to consider it to be wealth is a pure illusion. It does not constitute wealth. It does not represent wealth produced and in existence. It represents only an indebtedness of the government incurred in the purchase of wealth long since destroyed or given to foreigners. In considering **the total wealth of an entire people** paper money can rightfully be assigned no greater value than any like tonnage of similar paper. From the standpoint of the people as a whole that is its worth.

V

By one who would be free of the great paper money delusion which now plagues a great part of the world two all important things must be borne in mind.

First: The worth of irredeemable paper money is such worth as the fiat of government can give to and maintain in paper. It has no other. Its worth to an owner at any given time and place is that for which it can be exchanged and can never be more.

Second: The wealth of a nation cannot be increased or maintained by the printing and distribution of paper money. If it could the richest nation would be the one which could print and distribute the most paper money. The wealth of nations would be limited only by the speed of their presses. Neither can the **aggregate** purchasing power of a people be increased in this manner. The purchasing power of all the paper money of a country in whatever fabulous amount it may be outstanding can never be greater than the value of all the country's purchasable things. That is all there is to buy and that is all that can be bought. The printing and distribution of more paper money will not change this fact. It merely results in increasing the demand for the purchasable things which exist. All this is clear enough is it not?

It follows that as more and more of such money is printed and placed in circulation without corresponding increase in the nation's real wealth each unit must become worth less and become progressively worth less as the outstanding issues increase. And when increased issues are put out **notwithstanding a decrease in the nation's real wealth,** as in case of war and great international benefactions, the rapidity of the depreciation is accentuated. Still clear enough is it not?

Here is an example. It demonstrates the truth of that which has just been stated. Assume an elevator filled with grain. Warehouse receipts are outstanding against all of this grain. Notwithstanding this fact the elevator owner continues to accept additional grain and to issue additional receipts for it. This additional grain he destroys or gives away. Plain enough now isn't it that if all the outstanding receipts are to be ratably honored each must receive less grain than that called for. And as long as the practice continues each receipt must become progressively worth less and less in grain. There are more and more receipts outstanding but no more grain in the elevator.

It is not different when a government, having established an intrinsically valueless thing as the lawful unit for the measurement of value and medium of exchange, inaugurates a practice of printing such money for its own use and with it purchases things for destruction and foreign gifts.

As the practice is continued, progressively there comes into circulation more and more of such paper money, each unit entitled to be ratably honored from a diminishing supply of purchasable wealth. The inevitable result is that the purchasing power and hence the worth of each unit of such intrinsically valueless money decreases as certainly as subtraction is subtraction and division, division. This depreciation in true worth is factual not imaginary.

VI

In business accounting the property of an individual or corporation is not entered upon the books in kind, item by item. On the contrary books of account are kept in terms of values. Although property may be broadly classified as to kind and character, upon ledgers and balance sheets each classification appears only in terms of value. These values are of necessity stated interms of a common yardstick or **unit of value** established by government **for the measurement of value.** I have stated this, not because I presume you to be unaware of it, but merely that you may the more readily follow the sequence of that which follows:

In the United States the standard unit of value called the "dollar" was established by specific act of Congress which for many years prior to midnight of Jan. 31, 1934, read as follows:

"Section 314 Standard Unit of Value. The dollar consisting of 25 8/10ths grains of gold, 9/10ths fine shall be the Standard Unit of Value and all forms of money issued or coined by the United States shall be maintained at a parity of value with the standard, and it shall be the duty of the Secretary of the Treasury to main such parity." (See U. S. Code Annotated, Money and Finance, Title 31 Section 314 Page 176.)

This dollar of gold or of paper convertible into gold constituted both the standard unit of value and the lawful medium of exchange. It was money in the age long and true sense of that word. Each unit of such money was a thing or represented a thing of intrinsic value. Because of this it was acceptable in trade in any part of the world. Using this standard unit of intrinsic value a price structure developed. Intrinsic value was measured in terms of a thing of intrinsic value. Those who rendered services or parted with property received for it a thing of intrinsic value. Those who loaned money loaned a thing of intrinsic value and were repaid with a thing of intrinsic value.

In short a thing capable of performing the all important function of money was used as money.

All bookkeeping entries were made in terms of this standard medium of exchange and lawful unit for the measurement of value. All obligations payable in money were made in terms of it. Once established, the importance of adhering to a standard unit of value, and the difficulties which must arise when the unit is changed are apparent.

If the unit is changed true comparisons of recorded values and true calculations of profit, loss and return become impossible except through necessary and often difficult accounting adjustments.

In respect to weights and measures or land or area dimensions this seems more easily understood than in respect to the unit of value. Yet the principle is the same. It differs only in the complexities of its application. Should the area known as an acre be reduced by law by one-half no farmer would say he now has twice as much land and hurry to equip himself with additional machinery for its cultivation. And he would deride the suggestion that his production could now be doubled. If the lawful unit, the foot, were reduced by one-half, no merchant or warehouseman would presume that twice as many square feet of space, calculated in terms of the new unit, would double his area of operations. Nor would a manufacturer assume that another unit of production of the numerical dimension of his present unit calculated in terms of the new foot would double his capacity. And it is plain that no one capable of elementary reasoning would accept as plausible a suggestion by government that his property taxes should be doubled because the government had reduced the units of weights and measures or areas by one-half. These things admit of visible calculation and are readily comprehended.

Comprehension comes more slowly where a change occurs in the standard unit for the measurement of value. Where the change in the unit is brought about gradually by abandonment of a long established metallic standard and the substitution of a paper unit followed by the form of currency debasement known as paper money inflation, ancient usage plays its part in obscuring the true nature of that which is happening. Thus, under cover of custom and usage and a temporary sense of prosperity, great frauds are possible of perpetration by governments against the unsuspecting and helpless masses of the people. Leaving the name and form of the paper medium unchanged, its worth is reduced by dilution. In this manner a portion of the substance of all savings in money or obligations payable in money as well as of wages, salaries, annuities, and pensions is quietly taken and consumed by governments. The force applied is both invisible and invincible. For a time the loss in purchasing power is attributed to natural forces. Governments encourage this belief by measures against "profiteers." But in time, as the practice continues, the inexorable force of truth renders the great imposture apparent even to the least observant.

VII

It is in its failure to find and establish a method for reflecting in accounts, expressly enacted or deliberately calculated changes in the standard unit of value, that our system of accounting plays us false. By this failure, a mechanism devised to faithfully record the truth respecting business transactions has become accessory to falsehood and deceit. It repudiates fact and records fiction. For the purpose of ascertaining profit and loss or capital gain it demands that cost entered in terms of an expressly abandoned unit be compared with sales prices received in terms of a unit **expressly decreed** to be of 40% less dimension than that abandoned. In a word is respect to gains, profits, return, and essential reserves it demands that important segments of the country's business be carried on in a fairy land of self-deception and make-believe.

Under our accepted and applied methods of accounting that which is considered to matter is that the name of the unit of value and medium of exchange remain unaltered. The substance of the unit, even though diminished by express act of government, is ignored.

Thus if more dollars of the new and lesser unit are received than were paid in the old and greater unit a profit must be recorded and taxes paid on that recorded profit. Dividends are permitted to be distributed from the surplus thus created and the worth of the business is deemed to have been increased by that retained. Yet it is quite possible that in terms of real value the transaction has resulted in no profit whatever or even in loss.

This is not the accounting of truth and reason but of falsehood and folly. It represents a triumph of form over substance, the defeat of reason by unreason. It constitutes refusal to recognize and record a fact of supreme importance, a change in the unit of measurement. As I have pointed out, in our own case the refusal extends to an expressly enacted change reducing the unit by 40% of its former dimension. By this refusal false pretense is clothed in the habiliments of truth, the masses deceived, and governments aided in perpetrating the basest of frauds upon the innocent and unsuspecting. In its practice both peoples and individuals are led to consume and dissipate their substance under a false facade of profit and prosperity. Under that false facade the American people are today being led to the unwarranted waste and consumption of the nation's wealth and resources. From the standpoint of the people as a whole this constitutes the very essence and evil of paper money inflation.

Refusal to recognize in our accounting the truth respecting the change in the standard unit of value is justified upon the ground of difficulties apprehended in its application. Will this justification be considered valid should the dollar shrink to 10% of its former purchasing power or 5%? If not is it because there is supposed to be a point in accounting within which false pretense is permissible, and a limit beyond which it must not go?

VIII

Do you shrink from the charge I have made and deem it overdrawn? If so I suggest for your examination those historical records in which are portrayed the fiscal follies and consequent political and social disasters of peoples of yesterday. But it is unnecessary to go so far afield. An examination of the record of our own times provides ample proof. As example, boundless prosperity and unprecedented earnings are evidenced by the people's books of account and made the basis by government for unparalleled taxation and prodigal expenditures. Yet hand in hand with this recorded prosperity witness the unending procession of business houses coming to their stockholders for additional capital funds for "the replenishment of working capital" or to replace wornout or obsolete plant and equipment for which no adequate reserve has been provided.

Reflect upon the nature of earnings accounts computed without adequate charge to operations for replacement of that worn out or become obsolete in service; of surplus accounts swollen upon paper in defiance of the truth as manifest in physical plant and established price levels; of "excess profits" taxes assessed and collected upon "excess profits" which exist only upon paper and then only because investment is entered in terms of one unit and selling price and return in terms of another.

And what is to be said of "profits" arising from the sale of merchandise at prices which, after cost, expenses and taxes, fail to yield sufficient funds for the replacement of similar merchandise in stock; and of cash dividends declared and paid while management is under the necessity of pleading with share holders to supply it with additional working capital?

And what is to be said in support of the practice of regulatory bodies which, while calculating a substantial portion of a utilities rate base in terms of a one hundred cent dollar (original cost), demand that it accept payment of the allowable 6% return in 50 cent dollars?

Is there not ground for grave apprehension in these practices which flout reason and fact as though both were non-existent?

IX

In concluding this letter I propose an examination of your own position as an individual and that of others similarly situated. Do your tax returns, based upon your accounts, tell the truth respecting your real losses and gains? What of the Insurance Policy or Annuity for which you sacrificed and paid through so many years prior to the year 1939, the year in which the effects of our paper money inflation became sharply apparent? Or of your savings in obligations payable in dollars including those of the government itself? Or of your rents or pension or retirement pay? Or of your salary if it has not been adequately increased? Have these not suffered a decline near to one-half in real value? Where has this lost value gone? Who now has it? Is record of its disappearance to be found upon your books? Why is there no record?

I suggest that the answer is clear to those who intelligently seek it. By the indirect method of expropriation known as paper money inflation, your Congress took from you that which you have lost and gave it over to be spent by government bureaus. It has been expended in wars and administrative waste and corruption; in the employment of tens of thousands of unneeded personnel; in unprecedented subsidies; in vast ill-conceived schemes and ventures; in princely unconditional gifts to foreign governments, certainly neither more provident, nor honest, nor wise than our own. That which you saved and supposed yourself to lawfully possess has been quietly taken from you by your government. Others now have it and it will not come back to you. Through the processes of dilution and decay which I have described, your dollars and the dollars due you each year under the terms of dollar obligations are now worth little more than 50 cents each in average commodities. In many essential commodities they are worth much less.

That these things are true you know. Of all that saved or accumulated in dollar obligations prior to 1939 approximately one-half has been lost. Had you suffered this loss in business it would show upon your books and be deductible for income tax purposes. Upon your death the loss would be reflected in the appraisal of your estate and the estate taxes diminished accordingly. Why should not this equally certain and no less painful loss show upon your books and your tax returns as a deductible loss? The answer is that should you enter it upon your books the government would refuse to recognize this calculated and readily provable loss inflicted upon you by its own wilful act. Though visible to all the world, inflating governments decline recognition of their own handiwork. Having halved the dimension of its standard unit of value and thus dispossessed a large segment of the people of half of that which they possessed, it denies them the right to assert this fact in their returns. Not only this but if the dollar capital of an individual or his dollar income has through effort or good fortune been doubled thus preserving his purchasing power **but not increasing it**, the government insists that as a taxpayer now in higher brackets he must pay ratably higher taxes. In this manner, in taxation itself, form is given victory over substance. Nevertheless, reduced to its true essence, real value, you are being taxed upon that which you no longer receive and your estate will be taxed upon that which you no longer possess.

One of the greatest of all mass self-deceptions is that created by the use of irredeemable paper as money. Based upon long usage and belief that money, whatever its character, is a thing of value, a feeling exists that newly created paper money, which is no more than a call upon a nation's existing things of real value, is of itself a thing of value and an addition to the nation's real wealth. The distinction between the value of such money to an individual owner and its value in computing the aggregate wealth of the people is unobserved. Thus the nation comes to consider itself to be possessed of a vast and increasing reservoir of liquid wealth from which prosperity and profit must continually flow. Inflating governments, seeking to retain power, nourish this belief and people and governments alike act upon it. Thus prompted by a false assumption the consumption or alienation of the real wealth of the nation proceeds while more calls upon that remaining come into existence.

A nation which debauches its money debauches its society. It brings upon itself social, economic, and political disaster. It is the high road to ruin and we are following it.

Joins Baxter, Williams

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Andrew R. Field has become associated with Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly with Singer, Deane & Scribner and Ginther & Co.

Wm. J. Mericka Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Edward K. Eldrige has been added to the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

With John B. Joyce

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Earl R. Sage is now with John B. Joyce & Co., Huntington Bank Building, members of the Midwest Stock Exchange.

With Hamilton Managemt.

(Special to The Financial Chronicle)

DENVER, Colo. — Claude J. Peay is now with Hamilton Management Corp., 445 Grant Street.

With Lewis D. Thill

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Richard H. Kellogg has become affiliated with Lewis D. Thill, 208 East Wisconsin Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Corporations and individuals are looking forward to 1953 in the hope that regardless of which party is elected in November, there will be some reduction in Federal income and excess profits taxes.

Inasmuch as the law imposing the excess profits tax expires next June, there is a solid basis for expecting that the existing provisions may not be continued in their present form. This would be especially true if the Administration elected this fall desired to reduce the heavy burden of taxes on corporations or distribute it in a more equitable manner.

It must be remembered, however, that regardless of what happens over the next year, the dominant consideration in tax legislation is likely to be the revenue needs of the government. On this score it seems likely that with the buildup in military expenditures to continue, the Treasury will operate at a deficit.

Thus, regardless of who is elected, existing military and political commitments, will make it impossible to immediately provide any material relief in the form of tax reduction. The most that can be expected is that the existing levies will be continued in a slightly milder form.

This does not mean, however, that certain inequities in the present law may not be eliminated when the next Congress tackles the problem prior to the expiration of the excess profits tax levy on June 30, 1953.

It is towards this end that the commercial banks through their various associations hope to obtain relief from the excess profits tax law in the coming year. A similar effort was made in the previous session of Congress but the drive was not particularly well organized nor was there sufficient data available on the impact of excess profits tax on the different banks throughout the country.

Both of these weaknesses, which, according to some people, were in large part responsible for the case not being effectively presented last year, have now been corrected.

A greater participation on the part of state banking associations with national organizations will help to present a common front. Also, Federal Reserve and monetary officials may be encouraged to join in the effort because of its direct bearing on their positions.

The second point is that the Federal Reserve study on the impact of excess profits taxes on commercial banks completed in June of this year provides the necessary information to support a strong case for a change in certain provisions of the present law.

Among some of the more important points which may be presented to justify special consideration on the part of the banks with respect to the excess profits tax are the following:

Because of government monetary policies, which control interest rates, establish reserve requirements and generally regulate both the quantity and quality of credit, banking in a real sense can be classified as a regulated business. For this reason banking should be accorded the same privilege as other regulated industries such as the public utilities and the railroads.

Companies in these industries are able to earn approximately 6% on invested capital including an allowance for debt, whereas banks become subject to excess profits taxes when the return on capital reaches about 4%. Surely a return of over 4% is not excessive just because it happens to apply to the banking field. Thus, if treatment similar to that allowed the regulated industries were accorded the banks, few, if any, institutions would be liable for excess profits taxes.

The second important argument for a change in the current law relating to banks is that the excess profits tax levy bears most heavily upon those institutions which are in greatest need of additional capital.

This was the point brought out in the Federal Reserve study: "A bank's earnings come for the most part from the investment of its deposits and only to a small extent from the investment of its capital. Consequently, a bank with relatively low capital will ordinarily have relatively high earnings in relation to such capital. As might be expected, therefore, it was generally true for all sizes of banks that, the lower the equity-capital-to-total-assets ratio, the more frequently were excess profits taxes incurred and the higher was the tax in relation to equity capital."

The elimination of the excess profits tax on banks would thus provide an immediate source of equity capital where it is needed most. Such action could also give the necessary incentive for the sale of common stock on the part of rapidly growing institutions.

Whether the effort on the part of the bankers will be successful, of course, remains to be seen. However, there is a logical basis, as can be seen from the foregoing, for some modification of the existing law.

Joins Coburn Middlebrook

(Special to The Financial Chronicle)

HARTFORD, Conn.—James Porteous has become associated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street. Mr. Porteous was formerly with Shearson, Hammill & Co. and Tifft Brothers.

With Schirmer, Atherton

(Special to The Financial Chronicle)

HARTFORD, Conn.—William J. Hartigan has become associated with Schirmer, Atherton & Co., 49 Pearl Street. He was formerly with Cooley & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

On August 27 the Board of Governors of the **Federal Reserve System** announced that J. Leonard Townsend has resigned as Solicitor of the Board, effective August 31, in order to accept a position as Vice-President and Director of the Pan American Sulphur Co., with headquarters at Dallas, Texas. The present Chairman of sion of the bank at its Head Parten, who is also Chairman of the Board of the Federal Reserve Bank of Dallas. Mr. Townsend joined the Reserve Board's organization in March, 1945, prior to which he had been Assistant Solicitor of the Securities and Exchange Commission. Since joining the Board's staff Mr. Townsend has had direct responsiblity for all litigation to which the Board has been a party, including administrative proceedings before the Board itself. Mr. Townsend's services will continue to be available to the Board on a part time basis during the pendency in the courts of the Clayton Act proceeding against Transamerica Corporation.

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** on September 2. Chester R. Leaber was appointed an Assistant Vice-President. Mr. Leaber, who started with the bank in 1920, has spent most of his career in its Far Eastern branches. He will come from Manila, where he has been Manager, to join the Far Eastern Division of the bank at its Head Office.

The National City Bank of New York opened its new Cali, Colombia, branch on September 1. The branch will be housed temporarily at Calle 11, No. 4-34 pending completion of its permanent location in the Zaccour Building, Corner of Calle 11 and Carrera 3. William L. Lafferty, a veteran of 28 years of foreign service with the bank will be Manager at Cali, which is the 57th overseas branch of National City, and its fourth in Colombia.

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Horace C. Flanigan, President of **Manufacturers Trust Company of New York**, announces that Sebastian J. Distler and Eugene J. Ullrich have been appointed Assistant Secretaries of the Trust Company. Mr. Distler's banking career goes back to 1909 when he joined the Yorkville Bank which merged with Manufacturers Trust in 1925. He is located at the Park Row Office. Mr. Ullrich graduated from Xavier University and joined the bank in 1941. He is assigned to its 39th Street Office.

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Announcement was made on September 2 by the **Central Republic Company of Chicago, New York**, etc., of the election of Kenneth A. Kerr, as Vice-President, resident in New York.

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According to the Philadelphia 'Inquirer" of Aug. 27, Gary H. Underhill, Vice-President of the **Girard Trust Corn Exchange Bank, of Philadelphia**, was elected President of **Raleigh Industrial Bank, Raleigh, N. C.**, to succeed L. A. Lentz, who will become board Chairman.

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An increase of $150,000 in the capital of the **First National Bank of Greenville, Pa.** has been brought about by a stock dividend of the amount indicated, raising the capital from $350,000 to $500,000 effective Aug. 18.

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Mark A. Brown, President of **Harris Trust and Savings Bank of Chicago**, has announced that Robert Lindquist has been elected by the board of directors as a Vice-President of the bank, and on Sept. 2 he assumed direction of the bank's public relations and business development activities. Mr. Lindquist goes to Harris Trust from La Salle National Bank, where he served in a similar capacity as Vice-President. He has held the office of President of the Financial Public Relations Association and is presently Chairman of the Public Relations Council of the American Bankers Association. Recipient of a bachelor of arts degree and special certificate in banking studies from the University of Michigan, Mr. Lindquist is also a graduate of the Graduate School of Banking at Rutgers University and the School of Financial Public Relations at Northwestern University.

* * *

On Aug. 29 the stockholders of the **Industrial National Bank of Detroit, Mich.** approved a proposal authorizing the bank to increase the capital from $1,750,000 to $2,000,000. This would be done, it is stated, by the declaration of a stock dividend of 25,000 shares of $10 par value on the basis of one share for each seven shares held. Earlier in the month the directors, subject to the stockholders' approval, voted to transfer $500,000 from undivided profits to surplus, making the latter $4.000,000.

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An addition of $50,000 has been made to the capital of the **First National Bank of Huntsville, Ark.** enlarging the capital to $100,000 from $50,000 as of Aug. 19. Part of the increase was brought about by a stock dividend of $40,000, while $10,000 additional came from the sale of new stock.

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Marking its 25th anniversary the **Third National Bank of Nashville, Tenn.** has issued a booklet, tracing the history of the bank, and paying tribute to the late Frank M. Farris, founder of the institution, whose death occurred on April 19, 1950. As to the bank's formation, the booklet in part says:

Frank M. Farris, a young man of 36 with 15 years' banking experience, was convinced that Nashville needed a new bank. With this conviction he resigned an executive position with one of Nashville's largest banks on Feb. 27, 1927, to devote his full time to the organization of the institution which was to become the Third National Bank. Walter J. Diehl, resigned his connection with a local bank in March of 1927 to spend his full time on the organization of the new institution.

Prior to opening day on July 18, 1927, Watkins Crockett, an experienced and respected banker, had resigned as a senior officer of one of Nashville's leading banks to become the first President. C. A. Craig became Chairman of the Board, Nathan Crockett and F. M. Farris, Vice-Presidents, S. S. McConnell, Vice-President and Cashier, and W. J. Diehl, as Assistant Cashier, completed the officer staff.

It was proposed to organize a bank with a capital of $500,000 and surplus of $100,000. The organizers in soliciting subscriptions to the capital stock of the new venture were met with tremendous public support, and the demand for stock was so great that the original plan was changed to increase the capital to $600,000 and surplus to $120,000.

The initial public reception of the bank was greater than the original group had dared expect. Deposits on opening day exceeded $1,000,000 and had grown by Dec. 31, 1927, to almost $3,000,000. This growth has continued throughout the 25 years of the bank's history. The fifth annual report, Dec. 31, 1931, showed deposits of $6,605,000, and when the bank celebrated its 10th anniversary in 1937, deposits had increased to $28,359,000. On March 31, 1952, of our 25th anniversary year, deposits had reached $127,311,000.

In January, 1935, Frank M. Farris became the bank's second President with Watkins Crockett remaining active as Vice-Chairman of the Board. The need for additional capital having become apparent due to its rapid growth, Third National offered for sale 4,000 additional shares of stock at $125.

The next change in capital structure came in 1950 when the number of shares outstanding was increased from 10,000 to 20,000 by the distribution of a 100% stock dividend. In 1951 5,000 shares were offered to stockholders at $225 per share, an addition to capital funds of $1,125,000. When the sale of this stock was completed Third National had sold a total of $2,345,000 in stock in Nashville since 1927. Sam M. Fleming who joined the office staff of the bank as Assistant Cashier in charge of the Credit Department in April, 1931, became President in 1950.

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A new branch of **Bank of America N. T. & S. A. at San Francisco** was opened in the West End of London, Aug. 25, it was announced by Russell G. Smith, Executive Vice-President in International Banking. Located at 29 Davies Street the new office will be the second to be operated in London by this California bank. It is stated that the new branch will provide service for the bank's customers in this section of London, and particularly to the American business firms and the United States Government agencies located in the Grosvenor Square district. Mr. Smith also announced that J. A. Buhler of San Francisco, has been appointed Vice-President and Manager of the two London branches, filling the post left vacant by the retirement of Vice-President and Manager J. P. Kennedy.

* * *

It was made known on Aug. 1 by the Board of Governors of the Federal Reserve System that the **Commercial Bank of Oregon, at Hillsboro, Ore.**, a State member, **The Commercial Bank of Newberg at Newberg, Ore.**, an insured nonmember, and the **Commercial Bank of Tillamook, at Tillamook, Ore.**, an insured nonmember, were merged under the charter and title of **The Commercial Bank of Oregon.** It is added that the former main offices of The Commercial Bank of Newberg and Commercial Bank of Tillamook, the branch formerly operated by The Commercial Bank of Newberg at St. Paul, and the two branches formerly operated by Commercial Bank of Tillamook at Cloverdale and Wheeler, will be operated as branches by The Commercial Bank of Oregon at Hillsboro, Ore.

Opens Own Office

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Lola L. Turner has opened offices in the Bank of America Building to engage in the securities business. Miss Turner was formerly with Guardian Securities Corporation and Walston, Hoffman & Goodwin.

Railroad Securities

Atlantic Coast Line and Other Carriers

For the first time in many, many months the air is again filled with rumors and conjecture as to possible railroad refunding operations. Following on the heels of the successful public sale of Seaboard Air Line Debentures with a $3\frac{7}{8}$% coupon, to retire the old Income $4\frac{1}{2}$s, Illinois Central last week sold $62 million of Consolidated Mortgage bonds, also with a $3\frac{7}{8}$% coupon, to provide funds for redemption of the 4s, $4\frac{1}{2}$s, and 5s, 1963. The extent to which the railroad bond market has improved during the past six months or so is obvious when it is considered that in a private placement earlier in 1952 the road sold bonds of the same mortgage with a $4\frac{1}{4}$% coupon.

Naturally, these two recent refundings have raised the question in many quarters as to the possibility of other operations of a similar nature. In particular, it is the opinion of many analysts that Denver & Rio Grande Western may revive its plans to refund the senior mortgage bonds, a proposed step that had reached the stage of advertising for bids only to be abandoned at the last moment because of general bond market conditions. It now seems quite likely that not only this, but other, bond offerings may be forthcoming over the near and intermediate terms.

Aside from the interest stimulated by refundings, and possibilities of additional bond offerings, the railroad picture so far as securities is concerned, remains stagnant. This is not particularly surprising in view of the July earnings reports that have been appearing during the past week or so. They have been quite mixed. In general, the poorest performances have been in the East, where the steel strike exerted the greatest influence, but even in that area some of the reports have been surprisingly good. The Central West and South West have shown up very well, reflecting good crops. In the Southeast one road at least, Atlantic Coast Line, saw fit to explain in considerable detail the reasons for the relatively sharp percentage decline in net income for the month of July although even in that month the road's gross revenues continued ahead of a year ago.

Mr. Davis, President of Atlantic Coast Line, in releasing July 1952 earnings of the road, commented that, "Atlantic Coast Line, in contrast with many other railroads, including some of its neighboring Southeastern railroads, materially expanded, rather than curtailed, its Maintenance programs during the period of the recent steel strike. . . . "Traffic during the month was off 4% from a year earlier but reflecting the freight rate increases gross revenues were nominally higher. In the face of the higher receipts, net operating income dipped more than 70% and net after all charges was down from $1,138,980 in July 1951 to $706,338 this year.

Fundamentally the results were far more favorable than would be indicated from a casual look at the net figures. Maintenance outlays for the month were more than $1 million higher than in July 1951. This is all to the good in improving the physical condition and thus bettering the underlying status of the properties and basic investment stature of the securities. This is particularly true under present tax conditions. What is far more important than actual net income figures is the operating efficiency of the property, as measured by the trend of the transportation ratio. Viewed form this angle the showing of Coast Line for the year to date, and for July itself, is particularly gratifying.

Even in July actual transportation expenses were lower than a year ago and the ratio to gross revenues dipped a point and a half, to 38.4%. For the seven months the transportation ratio was down to 33.5% which was well below the indicated industry average and more than four points lower than for the like 1951 interim. This improvement reflects the money that has already been put back into the property and in new equipment, particularly diesel power. Presumably the highly favorable trend will continue as further property betterments are completed. With this saving in transportation costs, net for the seven months increased by $2,790,000 ($3.40 per common share) to $9,424,214. Even though, as Mr. Davis states, maintenance outlays will continue high it seems conservative to estimate that common share earnings this year will be in the neighborhood of $20.00 compared with $15.98 in 1951.

Joins R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Edith W. Atwood has become affiliated with The R. F. Griggs Company, 35 Leavenworth Street.

Courts Add to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Edward H. Ward, Jr. has been added to the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

With E. E. Henkle

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Harry C. Dalrymple has joined the staff of E. E. Henkle Investment Company, Federal Securities Building.

With Norman F. Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—John P. Hassett has been added to the staff of Norman F. Dacey & Associates, 114 State Street.

Joins Steichen Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John A. Simonson is now connected with W. R. Steichen & Co., Inc., Roanoke Building.

Dr. J. W. Emmer Opens

(Special to THE FINANCIAL CHRONICLE)

NEW IBERIA, La.—Dr. John W. Emmer is engaging in a securities business from offices in the Olivier Building.

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)	Sept. 7	100.0	99.6	89.8	98.3
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 7	2,077,000	2,069,000	1,866,000	1,965,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 23	6,282,700	6,279,000	6,070,850	6,220,250
Crude runs to stills—daily average (bbls.)	Aug. 23	¶7,174,000	7,177,000	7,103,000	6,500,000
Gasoline output (bbls.)	Aug. 23	23,904,000	23,128,000	23,413,000	21,592,000
Kerosene output (bbls.)	Aug. 23	2,573,000	2,657,000	2,575,000	2,254,000
Distillate fuel oil output (bbls.)	Aug. 23	10,359,000	10,342,000	10,237,000	8,761,000
Residual fuel oil output (bbls.)	Aug. 23	9,161,000	8,720,000	8,776,000	8,763,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 23	116,393,000	115,979,000	118,285,000	125,590,000
Kerosene (bbls.) at	Aug. 23	30,814,000	29,721,000	26,029,000	31,967,000
Distillate fuel oil (bbls.) at	Aug. 23	99,569,000	95,280,000	81,792,000	91,692,000
Residual fuel oil (bbls.) at	Aug. 23	52,104,000	51,959,000	51,052,000	47,906,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 23	834,120	805,704	607,271	838,587
Revenue freight received from connections (no. of cars)	Aug. 23	674,279	660,924	542,150	680,216
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 28	$353,898,000	$1,366,068,000	$1,131,612,000	$257,381,000
Private construction	Aug. 28	236,594,000	87,883,000	100,732,000	160,049,000
Public construction	Aug. 28	117,304,000	1,278,185,000	1,030,880,000	97,332,000
State and municipal	Aug. 28	92,259,000	59,381,000	73,858,000	68,756,000
Federal	Aug. 28	25,045,000	1,218,804,000	957,022,000	28,576,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 23	11,000,000	9,900,000	6,700,000	10,749,000
Pennsylvania anthracite (tons)	Aug. 23	951,000	711,000	661,000	827,000
Beehive coke (tons)	Aug. 23	89,900	*67,900	19,600	128,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 23	100	95	79	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 30	7,646,253	7,718,084	7,404,913	7,145,609
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 28	154	141	137	130
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 26	4.376c	*4.376c	*4.376c	4.131c
Pig iron (per gross ton)	Aug. 26	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	Aug. 26	$42.00	$42.00	$41.75	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 27	24.200c	24.200c	24.200c	24.200c
Export refinery at	Aug. 27	35.325c	35.175c	34.825c	27.425c
Straits tin (New York) at	Aug. 27	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Aug. 27	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	Aug. 27	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	Aug. 27	14.000c	14.000c	15.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 2	97.47	97.02	97.78	99.16
Average corporate	Sept. 2	109.79	109.60	109.79	111.25
Aaa	Sept. 2	114.08	114.08	114.08	116.02
Aa	Sept. 2	112.00	112.00	112.19	115.04
A	Sept. 2	109.24	109.06	109.42	110.34
Baa	Sept. 2	103.97	103.97	103.97	104.31
Railroad Group	Sept. 2	106.92	106.74	106.92	107.62
Public Utilities Group	Sept. 2	109.42	109.42	109.42	111.25
Industrials Group	Sept. 2	112.93	112.93	113.12	115.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 2	2.68	2.71	2.65	2.55
Average corporate	Sept. 2	3.18	3.19	3.18	3.10
Aaa	Sept. 2	2.95	2.95	2.95	2.85
Aa	Sept. 2	3.06	3.06	3.05	2.90
A	Sept. 2	3.21	3.22	3.20	3.15
Baa	Sept. 2	3.51	3.51	3.51	3.49
Railroad Group	Sept. 2	3.34	3.35	3.34	3.30
Public Utilities Group	Sept. 2	3.20	3.20	3.20	3.10
Industrials Group	Sept. 2	3.01	3.01	3.00	2.90
MOODY'S COMMODITY INDEX	Sept. 2	431.6	431.0	446.5	452.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 23	187,012	194,899	180,999	188,010
Production (tons)	Aug. 23	220,691	219,857	199,444	225,800
Percentage of activity	Aug. 23	88	89	82	94
Unfilled orders (tons) at end of period	Aug. 23	394,190	431,711	396,615	516,856
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 29	109.36	108.86	110.01	116.06
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 orders	Ang. 16	23,130	24,848	24,800	26,808
Number of shares	Aug. 16	657,240	704,590	705,032	774,361
Dollar value	Aug. 16	$29,995,478	$32,348,017	$33,079,339	$35,137,547
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 16	20,392	21,715	21,304	23,728
Customers' short sales	Aug. 16	92	77	73	208
Customers' other sales	Aug. 16	20,300	21,638	21,231	23,520
Number of shares—Total sales	Aug. 16	567,002	610,293	592,385	660,242
Customers' short sales	Aug. 16	2,985	2,537	2,644	7,100
Customers' other sales	Aug. 16	564,017	607,756	589,741	653,142
Dollar value	Aug. 16	$22,602,149	$25,315,843	$25,423,602	$27,167,703
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 16	178,010	161,590	171,140	178,420
Short sales	Aug. 16	------	------	------	------
Other sales	Aug. 16	178,010	161,590	171,140	178,420
Round-lot purchases by dealers—					
Number of shares	Aug. 16	250,050	263,990	274,960	318,560
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Aug. 9	186,640	198,560	201,060	341,630
Other sales	Aug. 9	5,542,270	5,506,820	5,333,890	7,707,170
Total sales	Aug. 9	5,728,910	5,705,380	5,534,950	8,048,800
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 9	527,240	564,930	550,760	842,550
Short sales	Aug. 9	112,130	102,360	117,480	173,830
Other sales	Aug. 9	422,660	451,650	484,680	690,110
Total sales	Aug. 9	534,790	554,010	602,160	863,940
Other transactions initiated on the floor—					
Total purchases	Aug. 9	83,430	99,900	108,830	185,150
Short sales	Aug. 9	6,600	7,200	10,200	19,500
Other sales	Aug. 9	85,520	98,850	179,950	195,300
Total sales	Aug. 9	92,120	106,050	190,150	214,800
Other transactions initiated off the floor—					
Total purchases	Aug. 9	205,385	226,360	185,110	326,070
Short sales	Aug. 9	31,470	44,660	38,600	49,100
Other sales	Aug. 9	264,120	243,783	235,773	384,115
Total sales	Aug. 9	295,590	288,843	274,373	433,215
Total round-lot transactions for account of members—					
Total purchases	Aug. 9	816,055	891,190	844,700	1,353,770
Short sales	Aug. 9	150,200	154,220	166,280	242,430
Other sales	Aug. 9	772,300	794,283	900,403	1,269,525
Total sales	Aug. 9	922,500	948,503	1,066,683	1,511,955
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 26	111.9	112.2	111.7	------
Farm products	Aug. 26	103.8	110.1	109.7	------
Processed foods	Aug. 26	110.9	111.1	109.7	------
Meats	Aug. 26	116.0	116.8	115.3	------
All commodities other than farm and foods	Aug. 26	112.8	112.8	112.5	------

*Revised. ¶Includes 598,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of June	77,476	80,803	67,454
Stocks of aluminum (short tons) end of June	13,753	10,371	11,997
AMERICAN GAS ASSOCIATION — For month of June:			
Total gas (M therms)	3,270,552	3,577,673	3,256,700
Natural gas sales (M therms)	3,039,460	3,315,512	3,018,800
Manufactured gas sales (M therms)	89,257	103,002	117,500
Mixed gas sales (M therms)	141,835	159,159	120,400
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	1,605,000	1,639,000	8,684,495
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	203,227,000	175,106,000	199,830,000
Domestic crude oil output (barrels)	185,917,000	158,310,000	183,898,000
Natural gasoline output (barrels)	17,271,000	16,770,000	15,920,000
Benzol output (barrels)	39,000	26,000	12,000
Crude oil imports (barrels)	17,434,000	16,903,000	16,889,000
Refined products imports (barrels)	9,917,000	12,586,000	9,385,000
Indicated consumption domestic and export (barrels)	212,839,000	210,735,000	209,863,000
Increase all stock (barrels)	17,739,000	†6,140,000	16,241,000
AMERICAN ZINC INSTITUTE, INC.—Month of July:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	76,930	*77,463	78,955
Shipments (tons of 2,000 pounds)	43,353	*47,265	83,346
Stocks at end of period (tons)	96,919	*63,342	11,400
Unfilled orders at end of period (tons)	46,547	39,428	62,412
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of July 31:			
Imports	$199,764,000	$194,904,000	$224,623,000
Exports	125,622,000	125,878,000	104,442,000
Domestic shipments	7,724,000	7,121,000	13,374,000
Domestic warehouse credits	9,556,000	7,406,000	10,904,000
Dollar exchange	73,351,000	44,714,000	166,000
Based on goods stored and shipped between foreign countries	34,133,000	35,930,000	26,982,000
Total	$450,150,000	$415,953,000	$380,491,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	133	128	130
Wholesale number	59	73	66
Retail number	299	340	340
Construction number	48	78	74
Commercial service number	41	52	55
Total number	580	671	665
Manufacturing liabilities	$8,882,000	$6,971,000	$7,790,000
Wholesale liabilities	3,811,000	2,266,000	4,456,000
Retail liabilities	5,434,000	7,024,000	4,778,000
Construction liabilities	3,196,000	2,990,000	2,666,000
Commercial service liabilites	1,466,000	1,971,000	1,398,000
Total liabilities	$22,789,000	$21,222,000	$21,088,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of July (000's omitted)	$542,000	$1,176,000	$535,000
COAL OUTPUT (BUREAU OF MINES)—Month July:			
Bituminous coal and lignite (net tons)	25,850,000	31,405,000	34,103,000
Pennsylvania anthracite (net tons)	2,483,000	*3,103,000	2,770,000
Beehive coke (net tons)	64,800	110,000	531,400
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of July	355.1	*360.7	341.9
COPPER INNSTITUTE — For month of July:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	82,138	*80,392	82,577
Refined (tons of 2,000 pounds)	96,049	92,151	93,258
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	115,179	98,416	101,095
Refined copper stock at end of period (tons of 2,000 pounds)	73,657	70,856	68,045
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1947-49 Average=100) Month of July:			
Adjusted for seasonal variations	105	*111	105
Without seasonal adjustment	84	*105	84
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	27,177,925	27,765,654	25,466,691
Revenue from ultimate customers—month of May	$486,460,100	$494,079,800	$451,675,909
Number of ultimate customers at May 31	47,430,319	47,294,356	45,711,327
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of July:			
Contracts closed (tonnage)—estimated	221,389	167,492	222,540
Shipments (tonnage)—estimated	135,860	125,486	204,380
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS' ASSN.) — Month of July:			
Factory sales (number of units)	188,715	206,936	161,002
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of July:			
Factory sales of washers (units)	207,593	274,457	139,799
Factory sales of ironers (units)	15,025	17,654	11,100
Factory sales of dryers (units)	33,858	31,720	26,268
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1935-39 average = 100)	113.5	118.3	124.3
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.) — Month of July:			
Total number of vehicles	211,890	518,710	492,316
Number of passenger cars	168,327	408,250	381,407
Number of motor trucks	43,339	109,976	110,244
Number of motor coaches	224	484	665
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of June (000's omitted):			
Exports	$1,162,300	$1,466,200	$1,294,000
Imports	860,200	834,800	929,967

Continued from page 3

Economic and Agricultural Outlook

such borrowing reached a 20-year peak of $1.4 billion. As a result of these developments, Federal Reserve credit policy has moved from neutrality to moderate restraint. The results have been lower prices and higher yields on Government securities and continued restraint on credit expansion. There has also been considerable pressure on the Federal Reserve System to loosen up. If this policy were continued, the financing of the Government deficit through the banking system would be accomplished by a corresponding reduction in private credit — principally bank loans. If we were faced with a strong inflationary situation, such a policy of rigid restraint would be justified, although it would be extremely difficult to carry out.

The present economic situation is one of precarious balance at a high level and substantial inflationary pressures, but it is not like the fall of 1950. It is my guess that increased reserves required to finance seasonal movement of crops and defense production will be provided, at least in part, by open market operations; that is, by the purchase of government securities by Federal Reserve banks, but there is not likely to be a repetition this year of cheap and easy credit conditions of two years ago. The next few months will provide a good test of the effectiveness of the Federal Reserve System in restraining inflationary pressures by general credit controls while cooperating with the Treasury in financing the Government deficit. Chances of success will be improved if consumers continue to save sanely and to avoid another wave of scare buying such as we had from June, 1950, to February, 1951.

Now here are the business results of U. S. agriculture for the first half of 1952: prices received by farmers were down 5% from the first half of 1951, volume of sales up 7%, gross income up 4%, and farm costs up 3%. Hence, the net income of U. S. farmers was about the same as for the first half of 1951.

Farm Outlook Favorable

The outlook for the last half of 1952 is favorable for all major crops except spring wheat. However, with a large winter wheat output, there will be a total crop of 1.3 billion bushels which is adequate for domestic and export purposes, plus a generous carryover. The food supply will be slightly above 1951, with more beef and poultry making up for a smaller supply of pork. The recent drought brought severe losses to farmers affected, but it will have no substantial effect on food production. The large prospective corn crop will permit continued high production of meat, milk and eggs.

With farm prices stable around present levels, United States farmers' gross income for 1952 should equal or be slightly above 1951. A larger volume of production will continue to compensate for slightly lower prices. With farm costs continuing slightly above last year, the net income of U. S. farm operators will be around the levels of 1951 — perhaps slightly below the $14.9 billion of last year. This is low in comparison with the all-time peak incomes of industrial workers, but well above the low levels of 1949 and 1950.

Prices received by New York farmers in July were 19% above June, 1950, while farm costs have risen 12%.

In spite of marked improvement in 1951 and 1952, prices received, however, have been below parity every month except one since July, 1949, but they have averaged 97% of parity for seven months of 1952 as compared with 93% for 1951 and 90% for 1950. For the rest of 1952-53, New York farm prices are likely to fluctuate around parity or slightly below. There will be no boom but fair returns to efficient producers, and we can expect continued high demand at good prices for milk, eggs, fresh fruit and vegetables produced on New York farms for urban consumers.

Some writers are now predicting that farm surpluses are developing and that agriculture will lead the nation into a depression in a few years because of increasing output with declining exports. In my opinion, this is so much bunk. There may be a very large crop of wheat as this year or too much of one or two crops any time, but general overproduction of farm products is very unlikely until the next depression. Moreover, farm surpluses do not cause depressions, but depressions result in apparent farm surpluses. It is a matter of underconsumption, not overproduction. The present favorable crop outlook is good for farmers as well as consumers.

The Longer Future

What of the longer future? We are at or past the peak of postwar inflation. We have experienced a long period—13 years—of rising or high prices broken only by the moderate readjustment of 1949. The most likely development is a sidewise movement of prices with minor ups and downs for the next year or two. Then what? There are two major props to the U. S. defense boom — the defense program plus foreign aid, and the private construction of housing and industrial plants.

A readjustment is probable in the middle '50s when the defense buildup is completed and requirements drop to a replacement basis. The construction boom is past its peak although it may remain high for a couple of years with the stimulation of easy housing credit and defense production. But the trend is downward. The demand for housing is very elastic. It can shrink in bad times as well as expand in good.

When it comes, the depression will not be due to farm surpluses but to causes in the general economy of the U. S. and the rest of the world. What happens in the U. S. affects prices and economic conditions in other countries, and, conversely, what happens in the rest of the world also affects us, especially the trends of wholesale prices of international commodities.

Some persons think we are in a new era, that we can control our economic affairs and prevent depressions by Government action and programs. I have grave doubts of our ability to stabilize the U. S.—even graver doubts of the rest of the world. Our Government would undoubtedly act more promptly than formerly to try to prevent a downward spiral of deflation. Unemployment insurance, old-age pensions, public assistance, and farm price supports might cushion the shock but will not prevent it.

Throughout modern history there has been a strong tendency for commodity prices to rise in wartime and decline in peacetime. A downward movement of commodity prices is very likely during this decade—perhaps during the middle '50s. No previous boom has lasted forever. When it comes, we'll probably have a severe shakedown, a recession. Steadily falling prices would result in losses and unemployment in other businesses as well as in farming.

How long will it last? No one knows, but it could last several years. It probably would be less severe, however, than the last one, which was one of the two worst in our entire history as a nation.

Agriculture faces this uncertain longer future in a stronger position than ever before. During World War II, from 1939-44, U. S. food production made the most rapid sustained increase in the history of this or any other nation. The most striking change in dietary habits was the increased purchases of meat, milk, eggs, and other choice foods by families whose buying was formerly limited by low incomes.

For eight years there has been no appreciable increase in food output beyond the 1944 peak; yet, during this same period, about 20 million people have been added to our consuming population and the number is still increasing at the rate of 2½ million a year. The growth of population has caught up with the high rate of food output achieved during the war, but food production still stands at that level. A gradual increase in food production is to be expected, but prospects for an immediate sharp increase are not bright. With full employment, high consumer incomes, and increasing population, farming is under pressure which is not likely to diminish so long as the boom continues.

For these reasons it would be my guess that over the next decade the average level of farm prices will be in a reasonably favorable relation to farm costs and other prices. However, this optimistic general outlook for farming will not prevent a decline in farm prices if the general price level falls. If we should experience several years of declining commodity prices, farmers will have serious economic troubles because their cash costs will decline slowly and their turnover is slow.

With both the short-run and the long-run outlook in mind, I believe that farmers should maintain full farm production, but watch labor efficency and costs. Full employment of their labor force, labor-saving machinery and methods, and higher yields per acre and per animal by better production methods are very important. Credit necessary for efficient production should be provided to farmers, but they should reduce debts as rapidly as possible.

There are increased needs for production credit for specialized power machinery, in addition to livestock. Dairy cows continue as the highest priced New York farm product. Beef prices will decline relatively in the next few years and will affect dairy cows. Bankers should be careful about financing the purchase of dairy cows unless the loans will be repaid in a year or two. New York farm real estate values are high in terms of long-time trends — double 1940 and 30% above 1920. Paying for a good farm is a long-time operation and the biggest danger is operating losses in bad years because farm prices drop faster than costs. Cash costs are becoming more important every year and are especially important on New York family commercial farms.

Financial reserves are a permanent and important part of a well-organized farm business. Savings bonds or a savings account are a good hedge against deflation and a reserve for depreciation on farm machinery.

In the past, many credit agencies got into trouble by lending too much in good times and too little in bad times. Now is the time to help farmer customers strengthen their financial condition to withstand bad years that may come. Sound farm credit means lending courageously to good farmers in depression years and with increasing conservatism in times of prosperity.

Continued from page 5

The State of Trade and Industry

Consumer credit rose $242,000,000 in July, shattering all previous records for the amount outstanding, the Federal Reserve Board reports. At the close of the month, $21,200,000,000 of instalment and charge account credit had been tallied up. Government curbs on instalment credit were dropped last May. At that time, Reserve officials noted there would be "no appreciable rise" after the restrictions were suspended.

The rate of orders placed by purchasing agents showed a sharp rise in August. This was the first time since March, 1951, when incoming orders "closed the gap" with outgoing production, reports the National Association of Purchasing Agents. Most of the purchasing agents, in a nationwide survey, gave major credit to settlement of the steel strike for their optimistic reports. However, the survey warned that the change for the better might be only temporary, since much of the new business had been held back by the strike. The buyers added that many of the new orders were for small quantities of goods.

Steel Output Scheduled at 100.0% of Capacity This Week

Encouraged by the steel industry's recovery performance, the government is considering restoration of a 45-day limitation on consumers' steel inventories by Jan. 1, says "Steel," the weekly magazine of metalworking, the current week. The limits were cut to 30 days because of the steel strike.

Reflecting the steel industry's production recovery, the rate of steelmaking in the week ended Aug. 30 edged up 2.5 points to 99.6% of capacity.

Today the steel market is active but not hectic, states this trade paper. Continuing, it observes, the market lacks the zip some people thought it would have after consumers had been starved for steel during the midsummer steelworkers' strike. Steel sales offices report more concern among buyers as to shipments on back orders than pressure to place new orders. A lack of interest in new ordering could mean a lowering of steel production in the winter months.

In another month the steel industry will have erased the defense order carryover that's responsible today for some of the pressure in the steel market. When the steel strike ended, the steel industry promised to catch up on defense orders by Nov. 30. Now it expects to do the job two months ahead of schedule. Indicative of this big push, one steel producer in the Pittsburgh area is shipping 63% of its hot-rolled sheet output to fill orders of the military and converters.

Demand for steel varies with the product, the consumer and the locality, but almost without exception carbon bars and heavy plates are at the top of the tight list. The reason is they are used heavily in defense work. Part of the tightness in plates has been due to demand for cartridge cases. But now there is some reason to believe a slowdown in the program has been ordered, this trade journal declared.

No additional pressure is developing for carbon sheets and strip, although mills are booked full for the rest of the year. In some areas, hot-rolled and cold-rolled strip demand actually is sluggish, it further notes.

In planning for the future, consumers must reckon with higher costs of materials and labor. Steel producers continued last week to issue new and higher prices to compensate for the wage increase given the steelworkers, "Steel" points out. The government has not yet authorized a price increase for pig iron but there was speculation that a boost of $2 to $2.50 a ton may be approved, it concludes.

The American Iron and Steel Institute, announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 100.0% of capacity for the week beginning Sept. 2, 1952, equivalent to 2,077,000 tons of ingots and steel for castings. In the week starting Aug. 25, the rate was 99.6% (revised) of capacity and actual output totaled 2,069,000 tons. A month ago output stood at 89.8%, or 1,866,000 tons.

Electric Output Falls in Pre-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 30, 1952, was estimated at 7,646,253,000 kwh., according to the Edison Electric Institute.

The current total was 71,831,000 kwh. above that of the preceding week when output amounted to 7,718,084,000 kwh. It was 500,644,000 kwh., or 7.0%, above the total output for the week ended Sept. 1, 1951, and 1,186,867,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Continue to Rise as in Previous Week

Loadings of revenue freight for the week ended Aug. 23, 1952 totaled 834,120 cars, according to the Association of American Railroads, representing an increase of 28.416 cars or 3.5% above the preceding week.

The week's total represented a decrease of 4,467 cars, or 0.5% under the corresponding week a year ago, and a decrease of 4,545 cars, or 0.5% below the corresponding week in 1950.

United States Auto Output Shows Sharp Recovery in Latest Week

Passenger car production in the United States last week regained its pre-strike level and according to "Ward's Automotive Reports," turned out 95,032 cars compared with 83,065 (revised) cars or 14% more cars than in the previous week and 102,255 cars in the like week a year ago.

General Motors Corp.'s division was accountable for the week's progress by turning out 7,000 more cars than the week before.

Total output for the past week was made up of 95,032 cars and 22,224 trucks built in the United States against 83,065 cars and 18,542 trucks (revised) last week and 102,255 cars and 28,985 trucks in the comparable period a year ago.

Canadian plants turned out 5,960 cars and 1,785 trucks against

5,690 cars and only 2,291 trucks last week, and 3,839 cars and 2,400 trucks in the like week of 1951.

Business Failures Ease in Latest Week

Commercial and industrial failures dipped to 132 in the week ended Aug. 28 from 154 in the preceding week, Dun & Bradstreet, Inc., notes. This decline brought casualties down moderately from the 164 occurring in the comparable week a year ago and the 143 in the 1950 week. Failures remained 43% below the prewar level of 229 which were recorded in 1939.

Liabilities of $5,000 or more, and less than that volume decreased the past week and were less than a year ago.

All industry and trade groups except manufacturing showed lower mortality during the week. A sharp drop took place in wholesale trade, while mild declines were noted in retailing, construction and commercial service. Casualties were less numerous than last year in all lines.

Geographically, the week's mortality dipped in seven of the nine major regions, including New England, the East North Central and the Pacific States. The only increase occurred in the Middle Atlantic States. The East South Central held steady. More businesses succumbed than a year ago in four areas: the Middle Atlantic, East North Central, East South Central, and West South Central States. Mild declines prevailed in most other regions, but casualties in the Pacific and West North Central States dropped to less than one-half their totals in 1951.

Wholesale Food Price Index Rises Modestly to Set New Peak for Year

The Dun & Bradstreet wholesale food index edged higher last week to reach a new high for the year although movements among individual commodities were irregular. The Aug. 26 index at $6.70, was up slightly from $6.69 the week before, but showed a drop of 2.8% from the corresponding 1951 level of $6.89.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eases Moderately in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined moderately last week. It closed at 292.64 on Aug. 26, as against 293.76 a week earlier and compared with 298.83 on the corresponding date last year, or a decline of 2.1%.

Although price movements continued narrow, grain markets generally trended lower during the past week.

The dominating influence in wheat continued to be the prospects for a record Canadian crop, plus a large carryover of wheat as well as old barley and oats.

The market showed strength at times, however, on demand for cash wheat from both millers and warehouse interests. Export sales of wheat continued in good volume and totaled around 10,000,000 bushels for the week. Corn prices were mostly steady to firmer despite the continued splendid outlook for the new crop in the main belt. Country offerings remained light and supplies of old corn in most sections were reported light. The oats market was unsettled and prices declined on news that the carryover in Canada was the largest since 1944. Average daily sales of all grain and soybean futures on the Chicago Board of Trade last week totaled about 44,000,000 bushels, against 50,000,000 the week before, and 34,000,000 in the same week a year ago.

Domestic flour bookings were slow most of the week but some activity developed at the week-end. Moderate sales of Spring wheat flour were recorded at concessions ranging up to 15 cents a sack. Export flour business was negligible. Cocoa prices turned upward the past week, marking the first advance in six weeks. Better manufacturer interest, short covering and strength in foreign markets accounted for the rise. Warehouse stocks of cocoa totaled 128,328 bags, up from 127,785 last week, and compared with 193,493 bags a year ago. Demand for coffee was quite active with prices holding firm, bolstered by expectations of smaller exports from Brazil.

Raw sugar prices moved slightly lower under pressure of liquidation in the September future contract.

After sagging most of the week, lard turned upward, influenced by an advance in cottonseed oil prices following the announcement of higher Government ceilings for cottonseed oil products. All classes of livestock worked lower as market receipts increased. Cattle marketings were the largest of any week this year.

Cotton prices fluctuated irregularly and closed moderately lower for the week. Following early firmness, prices eased, largely due to lessened mill buying as a result of a slackening in demand for cotton goods. Some deterioration in the crop was reported in Texas due to lack of moisture but other sections reported conditions favorable for crop progress. The carryover of all kinds of cotton on Aug. 1, 1952, totaled 2,745,000 bales, according to the Bureau of the Census. This compared with 2,278,000 bales reported on the same date a year ago.

Trade Volume Stimulated by Seasonal Buying in Past Week

The approach of Autumn led many shoppers to increase their purchases in the period ended on Wednesday of last week. As during the last five months the total dollar volume of retail trade was slightly larger than a year ago. Reduced price promotions, extended shopping hours, and protracted credit terms were used by many retailers to sustain shopping. Increasingly last week clearance sales of Summer goods were replaced by showings of Fall merchandise.

The totaled dollar volume of the goods sold in the week in retail stores throughout the nation was estimated by Dun & Bradstreet, Inc. as being from unchanged to 4% larger than that of a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages:

New England and Northwest 0 to +4; East —2 to +2; Midwest —1 to +3; Southwest +2 to +6, and Pacific Coast +3 to +7.

Suburban stores generally chalked up more favorable year-to-year comparisons than did large city department stores.

With the end of vacations quickly approaching, apparel shoppers turned increasingly to preparations for a new season. Back-to-school promotions attracted spirited response and were generally more favorably received than had been expected. In parts of the South and Southwest clearance sales of Summer goods continued to stir wide interest.

Housewives spent more for food than they did a year ago. The most perceptible rise over the level of a year earlier was in the call for frozen foods, oleomargarine, cold cuts and canned beverages.

Retailers of household goods in most parts of the nation reported consumer demand as rising steadily.

The interest in television sets was about on a par with a year earlier; the sharpest gains were made in parts of the Southwest and Pacific Coast.

August furniture promotions were brought to a close with better results than had been anticipated.

Trading activity in most of the nation's wholesale markets during the week held close to the increased level of the previous week as the usual pick-up in buying in preparation for the Fall selling season continued. As during recent weeks, the total dollar volume of wholesale orders was slightly larger than that of a year earlier. For the first time in about 18 months there were reports of slow deliveries in some nondurable lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 23, 1952, rose 2% above the level of the preceding week. For the four weeks ended Aug. 23, 1952, sales reflected an increase of 1%. For the period Jan. 1 to Aug. 23, 1952, department store sales registered a drop of 2% below the like period of the preceding year.

Retail trade in New York last week again failed to register any gain in volume, being the twentieth consecutive week in which declines were recorded. Estimated volume was placed by trade observers at even to about 5% below the like 1951 week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 23, 1952, decreased 3% below the like period of last year. In the preceding week a decline of 6% (revised) was reported from that of the similar week of 1951, while for the four weeks ended Aug. 23, 1952, a decrease of 7% was registered below the level of a year ago. For the period Jan. 1 to Aug 23, 1952, volume declined 10% under the like period of the preceding year.

"Built-In" Structure of Inflation

Monthly publication of the Guaranty Trust Company of New York points out it is a contradiction for Federal officials to insist on price stability, while failing to deal in a realistic way with underlying inflationary forces.

The contradiction between the insistence of Federal officials on the need for price stability and their failure to deal in a realistic way with underlying inflationary forces is noted in the September issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York. The editorial, titled "The Built-In Structure of Inflation," takes cognizance of the fact that the cost of living is at a new high as the Presidential campaign begins.

"Step by step through many years, a structure of inflation has been built into our economy," observes the "Survey."

"Its main parts are the cost of government, 'compensatory' fiscal policy, the full-employment commitment, the easy-money bias, labor policy, and farm policy. These are long-term forces that will not cease with the rearmament effort or with direct price and wage controls. They must be adequately dealt with before the future of the dollar can be regarded with reasonable assurance.

"The keystone of the inflationary structure is the cost of government. In the last seven fiscal years the Federal Government has extracted from the people $50 billion more in taxes than was collected during the entire previous history of the United States, including the Second World War. Yet this tax burden of $308 billion has fallen $17 billion short of meeting expenditures. Annually the President's messages to Congress have paid lip service to the need for economy, and annually Congress has set out to achieve economy by trimming the President's budget. The final accomplishment in that direction has been pathetically small. Some members of Congress admit that the budget is now beyond control and that determined measures will be needed to regain control. Until such measures are taken, the cost of government must continue exorbitant.

"The contagion of fiscal irresponsibility apparently has spread to the States," the editorial adds. "The Tax Foundation has issued a report showing that the number of States with budgetary deficits rose from one in the fiscal year 1946 to 36 in 1950, declining to 27 in 1951."

The failure of "compensatory" fiscal policy to "compensate" is partly responsible for the present fiscal disorder, in the opinion of "The Guaranty Survey." "The inflationary implications of 'compensatory' fiscal policy are especially threatening now that the government has assumed responsibility for full employment. Prodigal spending, always popular politically, has now been rationalized and given statutory sanction. There is little that government can do to meet a full-employment commitment except by spending and other inflationary methods.

"Many economists and others defend full-employment policy and other forms of governmental intervention in economic affairs, even though they recognize that these devices must produce creeping inflation. Gradual currency depreciation, they think, is a lesser evil than mass unemployment and other hardships that free enterprise and stable currencies sometimes entail. Such economic 'modernists' are conveniently prone to forget the sufferings of the pensioned, the widowed, and the other helpless victims of creeping inflation. They tend to overlook the historical fact that excessive political power has consistently been abused. They assume that creeping inflation can be depended upon to creep and not to gallop, an assumption contrary to the teachings of experience."

With Olson, Donnerberg

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Howard R. Lofgreen has become associated with Olson, Donnerberg & Co., Inc., 509 Olive Street. Mr. Lofgreen was formerly with V. C. Weber & Co., and Reinholdt & Gardner.

With King Merritt Co.

(Special to The Financial Chronicle)

EUGENE, Mo. — Benjamin A. Rogers is connected with King Merritt & Co., Inc.

Sapphire Petroleums Debentures Offered

Offering of $2,000,000 Sapphire Petroleums Ltd. 10-year 5% convertible sinking fund debentures due July 1, 1962 was made simultaneously on Sept. 2 in the United States and in Canada. Priced at par, the debentures are being offered in this country by McLaughlin, Ruess & Co., while the Canadian offering is being made by Frame, McFayden & Co.

Each debenture is convertible at the option of the holder, into common stock of the company at prices ranging from $4.55 per share to $6.66 per share. The debentures are redeemable at any time at prices ranging from 105% to par.

Net proceeds of the offering will be used to repay a bank loan of $309,011.42 and the remainder will be added to the company's general funds. Among the purposes for which such funds may be used are the exploration, acquisition of interests in and development of prospective and proven oil and gas lands and the development of the company's existing properties.

Sapphire Petroleums Ltd., incorporated in 1934, is engaged in the exploration, acquisition and development of oil and natural gas lands and the production and sale of crude petroleum and natural gas. The company's activities were initially confined to Canada. However, it has recently extended its activities to the United States in the acquisition of varying interests in 1,360 acres of oil and gas lands in Barton and Kingman Counties, Kansas, upon which there is presently located 23 producing oil wells.

With Walston, Hoffman

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Edward H. Cooke has joined the staff of Walston, Hoffman, & Goodwin, 550 South Spring Street.

C. L. Kamrath Opens

(Special to The Financial Chronicle)

PASADENA, Calif. — C. Lloyd Kamrath is engaging in the securities business from offices at 91 South Euclid Avenue.

Blyth Adds to Staff

LOS ANGELES, Calif.—William B. Clemmer has been added to the staff of Blyth & Co., Inc., 215 West Sixth Street.

McCluney Adds to Staff

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Derrill McFarland has been added to the staff of McCluney & Co., 418 Olive Street.

With Waddell & Reed

AUGUSTA, Maine—Margaret L. Eckman is with Waddell & Reed, Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allpark Finance Co., Inc., Houston, Tex.
Aug. 28 filed $500,000 of 6% sinking fund convertible 10-year debenture notes due June 30, 1962; 29,180 shares of 60-cent cumulative preferred stock (no par); and 22,347 shares of common stock (no par). **Price**—For debentures, at face amount; for preferred stock, $10 per share; and for common stock, $5 per share. **Proceeds**—For additional working capital. **Underwriter** — For debentures, C. K. Pistell & Co., Inc., New York; and for preferred and common stock, none, with sales to be made through Marion R. Allen, President.

American General Oil & Gas Co.
Aug. 14 (letter of notification) 800,000 shares of common stock (par one cent), pursuant to option to purchase issued as additional compensation. **Price**—15 cents per share. **Proceeds**—To general funds. **Underwriter**—West & Co., Jersey City, N. J.

★ American Hellenic Mining Development Corp.
Aug. 26 (letter of notification) 100,000 shares of capital stock. **Price**—$2 per share. **Proceeds**—For costs incident to production of ore from certain mines in Exarchos, Atalandi, Greece, and related activities. **Office**—Washington, D. C. **Underwriter**—None, sales to be handled by officers and directors.

American Metallic Chemicals Corp., Portland, Ore.
Aug. 20 filed 450,000 shares of common stock (par one cent). **Price** — $3 per share. **Proceeds** — To lease and equip plant for manufacture of sodium perborate tetrahydrate and for working capital. **Underwriter**—Dobbs & Co. and M. S. Gerber, Inc., both of New York.

Appalachian Electric Power Co. (9/23)
Aug. 27 filed $17,000,000 of first mortgage bonds due 1982 and $6,000,000 of serial notes due 1956-1967. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received by company at 11 a.m. (EDT) on Sept. 23.

• Arkansas Power & Light Co. (9/9)
Aug. 5 filed $15,000,000 first mortgage bonds due 1982. **Proceeds** — For new construction and other corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Suart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to noon (EST) on Sept. 9 at 2 Rector St., New York 6, N. Y.

★ Artloom Carpet Co., Inc. (9/5)
Aug. 27 (letter of notification) 8,500 shares of common stock (no par). **Price**—$8.25 per share. **Proceeds**—To two selling stockholders. **Underwriter** — Straus, Blosser & McDowell, Detroit, Mich.

Associates Investment Co. (9/17)
Aug. 27 filed $30,000,000 of debentures due Sept. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term notes payable. **Underwriters**—Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Atlantic Refining Co.
June 25 filed 1,000,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds—For** capital expenditures. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Postponed indefinitely; statement withdrawn.

• Banff Oil, Ltd., Calgary, Alberta, Canada
Aug. 8 filed 1,000,000 shares of common stock (par 50 cents—Canadian). **Price**—About $2.50 per share. **Proceeds** — For repayment of bank notes and for general funds. **Underwriters** — In the United States—Lehman Bros., New York, N. Y.; in Canada—W. C. Pitfield & Co., Ltd., Montreal, Que. **Offering**—Expected today (Sept. 4).

★ Bankers Fire & Marine Insurance Co.
Aug. 25 (letter of notification) 24,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Aug. 20 at rate of two new shares for each five shares held; rights to expire at 2 p.m. on Sept. 20. Fractional shares will not be issued. **Price**—$9 per share. **Proceeds** — For additional working capital and surplus. **Office** — 321 North 23rd St., Birmingham, Ala. **Underwriter**—None.

NEW ISSUE CALENDAR

September 4, 1952
Bangor & Aroostook RR. — Equip. Trust Ctfs. (Bids 11 a.m. EST)

September 5, 1952
Artloom Carpet Co., Inc. — Common (Strauss, Blosser & McDowell)
Huyck (F. C.) & Sons — Common (Kidder, Peabody & Co.)
Huyck (F. C.) & Sons — Preferred (George R. Cooley & Co.)

September 8, 1952
Scott Paper Co. — Debentures (Drexel & Co.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane)
Sunshine Packing Corp. of Penna. — Debs. & Com. (Weber-Millican Co.)
Tennessee Gas Transmission Co. — Bonds (Bids 11.30 a.m. EDT)

September 9, 1952
Arkansas Power & Light Co. — Bonds (Bids noon EST)
Blando Rubber Corp. — Common (H. B. Simon Co.)
Utah Power & Light Co. — Common (Offering to stockholders)

September 10, 1952
Erie RR. — Equip. Trust Ctfs. (Bids noon EDT)
Glenmore Distilleries Co. — Debentures (Glore, Forgan & Co.)
Gulf, Mobile & Ohio RR. — Equip. Trust Ctfs. (Bids Invited)

September 11, 1952
General Telephone Corp. — Common (Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and Mitchum, Tully & Co.)
Houston Natural Gas Co. — Preferred (Robert Garret & Sons; Moroney, Beissner & Co.; and Kidder, Peabody & Co.)

September 12, 1952
Haloid Co. — Preferred (The First Boston Corp.)

September 15, 1952
Cincinnati Enquirer — Debentures (Halsey, Stuart & Co., Inc.)
Devil Peak Uranium, Ltd. — Common (Gardner & Co.)
Duquesne Light Co. — Preferred (Bids 11 a.m. EDT)
Farmer Bros. Co. — Pfd. & Common (P. W. Brooks & Co., Inc.)
Southeastern Fund — Debentures & Com. (Barrett Herrick & Co., Inc.)
Southwestern States Telephone Co. — Common (Central Republic Co., Inc.)

September 17, 1952
Associates Investment Co. — Bonds (Goldman, Sachs & Co., and Merrill Lynch, Pierce, Fenner & Beane)
Columbus & Southern Ohio Elec. Co. — Pfd. & Com. (Dillon, Read & Co. Inc.)
Standard Oil Co. (Indiana) — Debentures (Morgan Stanley & Co.)

September 18, 1952
General Bronze Corp. — Common (Reynolds & Co.)

September 22, 1952
Duquesne Light Co. — Bonds (Bids 11 a.m. EDT)
Pacific Power & Light Co. — Bonds (Bids noon EDT)
Pacific Telephone & Telegraph Co. — Common (Offering to stockholders—no underwriting)
San Jose Water Works — Preferred (Dean Witter & Co.)

September 23, 1952
Appalachian Electric Power Co. — Bonds & Notes (Bids 11 a.m. EDT)
California Water Service Co. — Preferred (Dean Witter & Co.)
Central Illinois Public Service Co. — Bonds & Pfd. (Bids 11 a.m. CDT)

September 24, 1952
Long Island Lighting Co. — Common (Blyth & Co., Inc. and The First Boston Corp.)

September 25, 1952
Iowa Public Service Co. — Common (Offering to stockholders—no underwriting)

September 30, 1952
Consolidated Freightways, Inc. — Common (Blyth & Co., Inc.)
Washington Water Power Co. — Bonds (Bids noon EST)

October 7, 1952
United Gas Corp. — Debentures (Bids 11:30 a.m. EST)

October 8, 1952
California Electric Power Co. — Common (Underwriter—to be named)

October 15, 1952
Utah Power & Light Co. — Bonds (Bids noon EST)

• Blando Rubber Corp. (9/9)
Aug. 26 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion, equipment and working capital. **Business**—Produces "Lefferts Colorwall Tires," and blank preforms which are used to make phonograph records. **Office**—55-01 43rd Street, Maspeth, N. Y. **Underwriter**—H. B. Simon Co., New York.

Calaveras Cement Co., San Francisco, Calif.
Aug. 15 (letter of notification) 4,100 shares of common stock (par $1). **Price**—At market (estimated at $13 per share). **Proceeds**—To Henry C. Maginn, Executive Vice-President. **Underwriter**—Walston, Hoffman & Goodwin, San Francisco, Calif.

★ California Water Service Co. (9/23-24)
Aug. 29 filed 80,000 shares of cumulative preferred stock, series G (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay loans and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Cameron (Wm.) & Co., Waco, Tex.
Aug. 26 (letter of notification) 13,900 shares of common stock (par $7). **Price**—$21.50 per share. **Proceeds**—For general corporate purposes. **Office**—102 South 12th St., Waco, Tex. **Underwriter**—None.

• Canadian Palmer Stendel Oil Corp.
July 31 filed 3,410,000 shares of common stock (par 25 cents) of which 2,000,000 shares are to be offered today (Sept. 4) for subscription by stockholders of Palmer Stendel Oil Corp. of record Aug. 27 (with rights to expire Sept. 18); 400,000 shares have been sold to latter named company and 400,000 shares to New Superior Oils of Canada, Ltd.; 100,000 shares to be offered to employees and associates of New Superior; 270,000 shares to be under option to officers and employees; and 240,000 shares to be under option to underwriters. **Price**—At par. **Proceeds**—To be added to general funds. **Underwriter**—Burnham & Co., New York.

Canoga Oil Co., Carson City, Nev.
July 18 (letter of notification) 60,000 shares of capital stock to be offered by Crystal Oil Co. **Price**—At par ($1 per share). **Proceeds**—To develop oil properties. **Office**—511 Carson St., Carson City, Nev. **Underwriter**—Kalmanir, Kline & Co., Las Vegas, Nev.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
May 22 filed (amendment) 300,000 shares of common stock (par $1). **Price**—$1.25 per share **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

• Carrier Corp., Syracuse, N. Y.
Aug. 15 filed 78,734 shares of 4.8% cumul. convertible preferred stock (par $50) being offered for subscription by common stockholders of record Sept. 3, 1952 at rate of one share of preferred stock for each 11 common shares held; rights to expire on Sept. 17. **Price**—$53 per share flat. **Proceeds**—Together with proceeds from sale of $12,500,000 of long-term notes, will be used to retire about $9,000,000 of outstanding indebtedness and the remainder for the company's construction program. **Underwriters**—Harriman Ripley & Co., Inc. and Hemphill, Noyes, Graham, Parsons & Co., both of New York.

Central Illinois Public Service Co. (9/23)
Aug. 18 filed 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (CDT) on Sept. 23.

Central Illinois Public Service Co. (9/23)
Aug. 18 filed $5,000,000 first mortgage bonds, series E, due Sept. 1, 1982. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc.; The First Boston Corp.; Blyth & Co., Inc.; Equitable Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (CDT) on Sept. 23.

Central Paper Co., Muskegon, Mich.
Aug. 6 (letter of notification) 300 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To Marie E. Fuget, the selling stockholder. **Underwriter**—Swift Henke Co., Chicago, Ill.

Century Natural Gas & Oil Corp.
Aug. 21 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—At market (about 25 cents per share). **Proceeds**—For working capital. **Office**—Waynesburg, Pa. **Underwriter**—Greenfield & Co., Inc. New York.

Challenger Manufacturing Corp., Reno, Nev.
Aug. 18 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For equipment purchases, operating fund, and retirement of indebtedness. **Business**—Manufacture of electric driven platform units and other products. **Office**—139 North Virginia St. Reno, Nevada. **Underwriter**—None.

★ Chapman Machinery Corp., Tampa, Fla.
Aug. 25 (letter of notification) demand promissory 2¼% notes (with collateral right to participation in percentage of net income). **Price** — At par (in denominations from $500 to $5,000). **Proceeds**—For operating capital. **Office**—210—13th St., Tampa, Fla. **Underwriter**—None.

Cincinnati Enquirer, Inc. (9/15-16)
July 25 filed $3,500,000 of 15-year sinking fund debentures due Aug. 1, 1967 and $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter** — Halsey, Stuart & Co. Inc., Chicago & New York. **Offering**—Expected about middle of September.

★ **Columbus & Southern Ohio Electric Co. (9/17)**
Aug. 29 filed 90,000 shares of cumulative preferred stock (par $100) and 300,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter—None.**

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

Devil Peak Uranium, Ltd. (Nev.) (9/15)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

Di Giorgio Fruit Corp., San Francisco, Calif.
Aug. 7 (letter of notification) not exceeding $100,000 market value of class B common stock (par $5). **Price**—At market (bid $19—ask $19.87½ per share). **Proceeds**—To Estate of Joseph Di Giorgio. **Underwriter**—None, but Holt & Collins, San Francisco, Calif., will act as broker.

★ **Dorn's Stores, Inc., Los Angeles, Calif.**
Aug. 25 (letter of notification) 22,000 shares of common stock (par $1.25). **Price**—$4.50 per share. **Proceeds**—To three selling stockholders. **Office**—1722 Santee St., Los Angeles, Calif. **Underwriter**—Edmund J. Sampter, Los Angeles, Calif.

Duquesne Light Co., Pittsburgh, Pa. (9/15)
Aug. 19 filed 140,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. jointly). **Bids**—To be received by the company at Room 1540, 15 Broad St., New York 5, up to 11 a.m. (EDT) on Sept. 15.

Duquesne Light Co., Pittsburgh, Pa. (9/22)
Aug. 19 filed $14,000,000 of first mortgage bonds due Sept. 1, 1982. **Proceeds**—To reduce bank loans (aggregating $15,810,000). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—To be received by the company at Room 1540, 15 Broad St., New York 5, up to 11 a.m. (EDT) on Sept. 22.

Duquesne Natural Gas Co.
May 28 (letter of notification) 92,783 shares of common stock (par one cent) being offered for subscription by stockholders of record Aug. 1 at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). Rights will expire on Sept. 15. **Price** — $1 per share. **Proceeds**—For working capital. **Underwriters**—None.

Electriglas Corp., Bergenfield, N. J.
Aug. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business**—Manufacturers of glass lighting fixtures. **Office**—Winsor and New Bridge Roads, Bergenfield, N. J. **Underwriter**—Moran & Co., Newark, New Jersey.

Electro-Components Corp. of America
Aug. 19 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—12 cents per share. **Proceeds**—To repay loan from Electronic Devices, Inc., and for new equipment and working capital. **Underwriter**—Royal Securities Corp., New York.

● **Electronic Computer Corp., Brooklyn, N. Y.**
July 25 (letter of notification) 52,500 shares of class B common stock (par $1) of which 15,000 shares are being offered first to persons who sought to purchase stock under the offering which commenced in February, 1951, but whose purchases could not be consummated. The other 37,500 shares being offered to stockholders of record Aug. 10 at rate of one new share for each four shares of class A and/or class B stock held; rights to expire on Sept. 10. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—265 Butler Street, Brooklyn, N. Y. **Underwriter**—Pioneer Enterprises, Inc., Bluefield, W. Va. and Richmond, Va.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
July 7 filed 1,613,168 shares of class A common stock (par 25 cents) and 2,744,034 shares of class B common stock (par 35 cents), the class A stock to be sold only to policyholders of The Farm & Home Insurance Co. **Price**—At par. **Proceeds**—To increase capital. **Underwriters**—John J. Rhodes and James E. McNelis, officers and directors of the two companies.

● **Farmer Bros. Co., Los Angeles, Calif. (9/15-19)**
Aug. 18 filed 100,000 shares of 6% cumulative convertible first preferred stock (par $10) and 50,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To purchase from certain principal stockholders 98,625 shares of outstanding second preferred stock at $1 per share and 164,654 shares of common stock at a price to be supplied by amendment. The remainder will be available for general corporate purposes. **Business**—Coffee processing and selling. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Expected third week in September.

★ **First Investors Corp., Philadelphia and New York**
Aug. 23 filed an aggregate of $23,000,000 of Plans for the Accumulation of Shares of Wellington Fund. **Underwriter**—The Wellington Co., Philadelphia, Pa.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

★ **General Bronze Corp. (9/18-19)**
Aug. 28 filed 43,576 shares of common stock (par $5), of which 28,576 shares are to be offered for subscription by common stockholders at rate of one share for each 10 shares held on or about Sept. 18 or 19 (with a 16-day standby); 10,000 shares are to be offered to the trustees of the company's Employees' Profit Sharing Plan and Trust; and 5,000 shares to directors and officers of the company and its subsidiaries. **Price**—To stockholders to be supplied by amendment. **Proceeds** — For working capital and to finance inventories and receivables. **Underwriter**—For 28,576 shares, Reynolds & Co., New York.

● **General Telephone Corp. (9/11)**
Aug. 19 filed 350,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For investment in common stocks of subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Tully & Co., San Francisco, Calif.

★ **Glen Alden Coal Co.**
Aug. 26 (letter of notification) 13,232 shares of capital stock (no par) to be offered in exchange share-for-share for common stock of Burns Bros. As an alternative holders of latter shares may receive cash at market value of each Glen Alden share to which they would become entitled. Offer will expire on Oct. 3. Members of NASD will receive 25 cents for each share of Burns Bros. stock deposited under plan.

Glenmore Distilleries Co., Louisville, Ky. (9/10)
Aug. 7 filed $12,000,000 sinking fund debentures due Aug. 1, 1972. **Price** — To be supplied by amendment. Proceeds—To retire long-term debt, to redeem outstanding 6% cumulative preferred stock (par $50), and for additional working capital. **Underwriter**—Glore, Forgan & Co., New York.

★ **Growth Industry Shares, Inc., Chicago, Ill.**
Aug. 27 filed 40,000 shares of capital stock (par $1). **Price** — At market. **Proceeds**—For investment. **Underwriter**—Harland Allen Associates, Chicago, Ill.

Gyrodyne Co. of America, Inc. (N. Y.)
July 31 (letter of notification) 34,300 shares of 6% cumulative convertible preferred stock (par $5) and 892 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. The class A shares will be used to pay certain employees of the company for services rendered. **Underwriter**—Jackson & Co., Boston, Mass.

● **Haloid Co., Rochester, N. Y. (9/12)**
Aug. 14 filed 47,183 shares of convertible preferred stock (par $50), to be offered for subscription by common stockholders at the rate of one preferred share for each four shares of common stock held on or about Sept. 11; with rights to expire Sept. 29. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 8,500 shares of 4% cumulative preferred stock (par $100) and for general corporate purposes. **Underwriter**—The First Boston Corp., New York.

Helio Aircraft Corp., Norwood, Mass.
July 21 (letter of notification) 3,000 shares of non-cumulative preferred stock (par $1) and 3,000 shares of common stock (par $1) being offered initially to stockholders of record July 25 in units consisting of one share of preferred and one share of common stock. **Price**—$25 per unit to subscribing stockholders and $27.50 per unit to public. **Proceeds** — To continue development of "Courier" model aircraft and to design and develop "Helioplane" type of aircraft. **Office**—Boston Metropolitan Airport, Norwood, Mass. **Underwriters**—Chace, Whiteside, West & Winslow, and H. C. Wainwright & Co., both of Boston, Mass.

Hixon Placers, Inc., Seattle, Wash.
June 9 filed 787,736 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

Holly Corp. (formerly General Appliance Corp.)
Aug. 6 (letter of notification) 43,000 shares of common stock (par 10 cents). **Price**—44 cents per share. **Proceeds**—To Charles G. Wray, Treasurer (20,000 shares), and George Kleiman, President (23,000 shares). **Office**—15 Park St., Springfield, Mass. **Underwriter**—E. L. Aaron & Co., New York, N. Y.

● **Houston Natural Gas Corp. (9/11)**
Aug. 15 filed 120,000 shares of 5% cumulative preferred stock (par $25), with common stock purchase warrants attached to purchase one share of common stock at $22.50 per share for each share of preferred stock, to be offered for subscription by common stockholders at the rate of one share of preferred for each 3.95 shares of common stock held as of Sept. 11, with rights to expire on Sept. 22. Unsubscribed portion to be offered to holders of outstanding $50 par preferred stock on the basis of two $25 par shares for each $50 par share owned. **Price**—To be supplied by amendment. **Proceeds**—For expansion, reduction of bank loans and other corporate purposes. **Underwriters**—Robert Garrett & Sons, Baltimore, Md.; Moroney, Beissner & Co., Houston, Tex.; and Kidder, Peabody & Co., New York. **Registration**—Expected to become effective today (Sept. 4).

Hutzler Brothers Co., Baltimore, Md.
July 3 (letter of notification) $300,000 of 5% 25-year notes dated Aug. 1, 1952, to be offered for subscription by common stockholders. **Price**—At par (in various units as determined by the directors). **Proceeds**—For additional working capital. **Office**—212 N. Howard St., Baltimore 1, Md. **Underwriter**—None.

● **Huyck (F. C.) & Sons (9/5)**
July 25 (by amendment) filed 750 shares of $2.75 dividend class A preferred stock (par $50) and 20,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To two selling stockholders. **Business**—Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York, for common (expected at $16.50 per share), and George R. Cooley & Co., Albany, N. Y., for preferred.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

Inland Petroleum Corp., Miami, Fla.
July 17 (letter of notification) 27,500 shares of 6% non-cumulative convertible preferred stock, and 275,000 shares of common stock. **Price**—At par ($10 per share for the preferred stock and one cent per share for the common. **Proceeds**—To purchase oil leases. **Office**—612 Congress Bldg., Miami, Fla. **Underwriter**—None.

International Products Corp.
Aug. 19 (letter of notification) 8,000 shares of common stock (par $5). **Price**—At market (estimated at $11 per share). **Proceeds**—To the Ecuadorian Corp., Ltd. **Underwriter**—None, but Hornblower & Weeks, New York, will act as broker.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

★ **Investment Trust of Boston**
Aug. 27 filed 500,000 shares of beneficial interest in the Trust. **Price**—At the market. **Proceeds**—For investment. **Underwriter** — Securities Co. of Massachusetts, Boston, Mass.

★ **Iowa Public Service Co. (9/25)**
Aug. 29 filed 150,122 shares of common stock (par $5) to be offered for subscription by common stockholders of record Sept. 25 at the rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds** — To pay off temporary bank loans and for property additions and improvements. **Underwriter**—None.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Lawton Oil Corp., Magnolia, Ark.
June 9 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.25 per share. **Proceeds**—For exploration work. **Underwriter**—W. R. Stephens Investment Co., Inc., Little Rock, Ark.

★ **Long Island Lighting Co. (9/24)**
Sept. 3 filed 599,942 additional shares of common stock (no par) to be offered for subscription by common stockholders of record Sept. 24 in the ratio of one new share for each seven shares held; rights to expire Oct. 9. **Price**—To be supplied by amendment. **Proceeds**—To finance construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Continued on page 28

Continued from page 27

★ Minnesota Valley Natural Gas Co.
Aug. 26 (letter of notification) 19,780 shares of common stock (par $10). **Price**—$14.25 per share. **Proceeds**—For expansion of natural gas distribution system and working capital. **Office** — St. Peter, Minn. **Underwriter**—Woodard-Elwood & Co., Minneapolis, Minn.

● Monty's Stores, Inc., Seattle, Wash.
May 16 (letter of notification) $100,000 of 7% 10-year convertible bonds (in denominations of $500 and $1,000 each) and 10,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For working capital and expansion. **Office**—208 Third Ave., South, Seattle, Wash. **Financial Adviser** — National Securities Corp., Seattle, Wash. **Offering**—To be made privately from time to time.

★ Nevada Mortgage & Investment Co.
Aug. 25 (letter of notification) 60,000 shares of common stock (par $1) and 240,000 shares of preferred stock (par $1) to be offered in units of four shares of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—For costs incident to organization and development of business in purchasing and making first and second mortgage loans; and to exercise an option covering sale of income property. **Office**—114 North Third St., Las Vegas, Nev. **Underwriter**—May be Stone & Youngberg, San Francisco, Calif.

New Mexico Copper Corp.
July 21 (letter of notification) 496,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling expenses, new equipment and working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ North American Van Lines, Inc., Fort Wayne, Ind.
Aug. 25 (letter of notification) 20,000 shares of common stock (no par). **Price** — $15 per share. **Proceeds** — For working capital. **Underwriter**—None.

Pacific Power & Light Co., Portland, Ore. (9/22)
Aug. 22 filed $7,500,000 of first mortgage bonds, due Sept. 1, 1982. **Proceeds**—For improvements and additions to property. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Bear, Stearns & Co., and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.; Union Securities Corp. **Bids**—To be received at noon (EDT) on Sept. 22.

Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). **Price**—At the market. **Proceeds**—To J. Paul Getty, President. **Underwriter** — None, sales to be handled by brokers on the New York Stock Exchange.

Pacific Western Stores, Inc., Los Angeles, Calif.
Aug. 8 (letter of notification) 105,000 shares of common stock (par five cents). **Proceeds**—To selling stockholders. **Underwriters**—White & Co., St. Louis, Mo.; Gearhart & Otis, Inc., New York; and Peters, Writer & Christensen, Inc., Denver, Colo.

★ Paradise on Wheels, Inc., Phoenix, Ariz.
Aug. 25 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For improvements and new construction. **Office**—1315 North Central Ave., Phoenix, Ariz. **Underwriter**—None.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share).

● Parsonnet TV-Film Studios, Inc.
Aug. 20 (letter of notification) $299,700 of 6% negotiable 10-year corporate bonds due July 1, 1962 and 119,880 shares of common stock (par 10 cents) to be offered in units of $100 principal amount of bonds and 40 shares of stock. **Price**—$100 per unit. **Proceeds**—For new construction, equipment and working capital. **Office**—46-02 Fifth Street, Long Island City, N. Y. **Underwriter**—Trinity Securities Corp., New York. **Offering**—Expected today.

Penn-Allen Broadcasting Co., Allentown, Pa.
Aug. 22 (letter of notification) 4,014 shares of common stock (par $10) and 10,035 shares of class A common stock (par $10) to be offered in units of two common shares and five class A shares. **Price**—$70 per unit. **Proceeds**—To construct and operate a television station. **Office**—Masonic Temple Bldg., Allentown, Pa. **Underwriter**—None.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

Phillips Packing Co., Inc., Cambridge, Md.
July 7 (letter of notification) 3,000 shares of common stock (no par). **Price**—At the market (estimated a $7 per share). **Proceeds**—To Levi B. Phillips, Jr., Vice-President, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Pure Oil Co., Chicago, Ill.
July 17 filed 85,688 shares of common stock (no par) being offered in exchange for 471,287 shares of Hickok Oil Corp., class A common stock (par $1) at rate of one Pure Oil share for each 5½ Hickok shares, conditioned upon approval of merger of Hickok into Pure Oil Products Co., a wholly-owned subsidiary of Pure Oil Co. **Underwriter**—None.

★ Richland Rice Corp., Miami, Fla.
Aug. 25 (letter of notification) 20,000 shares of preferred stock (par $10) and 4,000,000 shares of common stock (par one cent). **Price**—For preferred, at par; and for common, 2½ cents per share. **Proceeds**—To acquire and develop land for rice culture. **Underwriter**—None.

★ San Jose Water Works, San Jose, Calif. (9/22)
Sept. 2 filed 41,000 shares of cumulative convertible preferred stock, series C (par $25). **Price**—To be supplied by amendment. Proceeds—To pay off bank loans and for construction. **Underwriter** — Dean Witter & Co., San Farncisco, Calif.

Scott Paper Co. (9/8)
Aug. 15 filed $24,952,800 of convertible debentures due Sept. 1, 1977, to be offered for subscription by common stockholders of record Sept. 8 on basis of $100 of debentures for each 12 shares of common stock held; rights to expire on Sept. 23. **Price**—To be supplied by amendment. **Proceeds**—For construction of paper mill at Everett, Wash., and other construction, and for working capital. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Security Title & Guaranty Co., N. Y.
Aug. 22 (letter of notification) 32,000 shares of common stock (par $1). **Price**—At market (about $2 per share). **Proceeds**—To Investors Funding Corp. of New York. **Underwriter**—Dansker Brothers & Co., Inc., New York.

Sherman Electric Co., Inc., Warren, Ohio
Aug. 8 (letter of notification) 20,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds** — For working capital to produce and sell electrical equipment. **Office**—1807-1809 Elm Road, N. W., Warren, O. **Underwriter**—None.

Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

● Southeastern Fund, Columbia, S. C. (9/15)
Aug. 14 filed $500,000 of 10-year 6% subordinated sinking fund debentures (with common stock purchase warrants attached) and 100,000 shares of common stock (par $1) to be offered in units of a $100 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To redeem $53,500 outstanding 5¼% subordinated convertible debentures and 10,000 shares of 6½% cumulative preferred stock (at $11 per share and accrued dividends), and for additional working capital. **Business**—Financing retail sales of house trailers on conditional sales contracts. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● Southwestern States Telephone Co. (9/15)
Aug. 25 filed 80,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For additions and improvements. **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

★ Standard Oil Co. (Indiana) (9/17)
Aug. 28 filed $139,647,200 of 30-year debentures due Oct. 1, 1982 (convertible on or before Oct. 1, 1962), to be offered for subscription by holders of capital stock at the rate of $100 of debentures for each 11 shares of stock held as of Sept. 17; rights to expire about Oct. 6. **Price**—To be supplied by amendment. **Proceeds** — To retire $50,000,000 of 1¾% bank loans of company, $25,000,000 of 1.75% notes of Stanolind Oil & Gas Co., a wholly-owned subsidiary, payable to banks; and $6,500,000 of 2.75% notes of Pan-Am Southern Corp., a subsidiary substantially owned by Standard, payable to banks. Any remainder will be used for capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

● State Exploration Co., Los Angeles, Calif.
Aug. 6 (letter of notification) 43,000 shares of capital stock (par $1) being offered for subscription by stockholders of record Aug. 20 at rate of one share for each 10 shares held; rights to expire on Sept. 19. **Price**—$5 per share. **Proceeds** — For expansion program and general corporate purposes. **Office**—649 S. Olive St., Los Angeles, Calif. **Underwriter** — None. Unsubscribed shares will be sold to "small group of individuals."

Steak n Shake of Illinois, Inc.
July 11 (letter of notification) 22,000 shares of common stock (par 50 cents) being offered to stockholders of record July 1 (excepting members of the Belt family, who own about 60% of the common stock) at rate of one share for every 20 shares held, with an oversubscription privilege; rights to expire on Sept. 15. **Price**—$3.30 per share. **Proceeds**—For expansion. **Office**—1700 W. Washington St., Bloomington, Ill. **Underwriter**—None.

Storer Broadcasting Co.
May 19 filed 215,000 shares of common stock (par $1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. **Price**—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, $10.62½ per share. **Proceeds**—For general corporate purposes. **Underwriters**—Reynolds & Co., New York, and Oscar E. Dooly & Co., Miami, Fla.

Suburban Propane Gas Corp.
July 24 (letter of notification) an unspecified number of shares of common stock (par $1), sufficient to sell for a total of $20,675. **Price**—At market (around $17 per share). **Proceeds**—To SBN Gas Co., the selling stockholder. **Underwriter**—None, but Eastman, Dillon & Co., New York, and/or Bioren & Co., Philadelphia, Pa., will act as brokers.

Sunshine Packing Corp. of Pennsylvania (9/8-12)
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York. **Offering**—Expected week of Sept. 8.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York.

★ Television-Electronics Fund, Inc., Chicago, Ill.
Sept. 2 filed 1,200,000 shares of common stock (par $1). **Price**—At asset value, plus sales charge. **Proceeds**—For investment. **Underwriter** — Television Shares Management Co., Chicago, Ill.

Television Equipment Corp.
Aug. 19 (letter of notification) 1,225,000 shares of common stock (par 5 cents) to be issued pursuant to exercise of option warrants. **Price**—11 cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., New York. No public offering planned.

Tennessee Gas Transmission Co. (9/8)
Aug. 6 filed $40,000,000 first mortgage pipeline bonds due 1972. **Proceeds**—To repay short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids**—To be received at 11:30 a.m. (EDT) on Sept. 8 at office of Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York). **Offering**—Tentatively postponed.

Texhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes, due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of the Wilhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the southwest. **Office** — 415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Wilhead Royalty Co. below.)

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

Trans Western Oil & Gas Corp., Baltimore, Md.
Aug. 14 (letter of notification) 80,000 shares of common stock (par 25 cents). **Price**—At the market. **Proceeds**—To three selling stockholders. **Underwriter** — Mitchell Securities, Inc., Baltimore, Md.

Tullahoma Natural Gas Co., Tullahoma, Tenn.
Aug. 18 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To construct a new gas distributing system and for working capital. **Underwriter**—None.

United Film Service, Inc., Kansas City, Mo.
Aug. 21 (letter of notification) 4,500 shares of common stock. **Price**—$5.50 per share. **Proceeds**—For working capital. **Office**—2449 Charlotte Street, Kansas City, Mo. **Underwriter**—Burke & MacDonald, Kansas City, Mo.

U. S. Airlines, Inc., Fort Lauderdale, Fla.
Aug. 4 (letter of notification) $210,000 of 7% convertible equipment trust certificates, series A, due Aug. 15, 1954. **Price**—At par (in units of $100 and $1,000 each). **Proceeds**—For purchase of two aircraft. **Underwriters**—John R. Kaufmann Co., Scherck, Richter Co. and Semple, Jacobs & Co., Inc., all of St. Louis, Mo.; and Gearhart & Otis, Inc., New York.

Universal Finance Corp. (Del.) Omaha, Neb.
Aug. 18 (letter of notification) 30,000 shares of 6% cumulative preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $300,000 of 5½% preferred stock of the old Nebraska company of the same name, after which the companies will be merged. **Office**—205 Sunderland Bldg., Omaha, Neb. **Underwriter** — Kalman & Co., Inc., St. Paul, Minn.

Utah Power & Light Co. (9/9)
Aug. 14 filed 167,500 shares of common stock (no par), to be offered for subscription by stockholders of record Sept. 5 on a one-for-10 basis (with an oversubscription privilege); rights to expire Sept. 25. **Price**—To be fixed by directors on or about Sept. 4. **Proceeds**—For new construction. **Underwriter**—None.

Utah Power & Light Co. (10/15)
Aug. 14 filed $10,000,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear-Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled to be received up to noon (EST) on Oct. 15.

Victoreen Instrument Co., Cleveland, Ohio
Aug. 12 (letter of notification) 4,200 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To Frances S. Victoreen, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Vitro Manufacturing Co., Pittsburgh, Pa.
Aug. 19 (letter of notification) 1,000 shares of common stock (par 50 cents). **Price**—At market (about $13 per share). **Proceeds** — To Charles S. Payson, the selling stockholder. **Underwriter**—None, but Townsend, Dabney & Tyson, Boston, Mass., will act as broker.

Washington Water Power Co. (9/30)
Aug. 27 filed $30,000,000 of first mortgage bonds due Oct. 1, 1982. **Proceeds**—To repay part of outstanding bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp. and Lehman Brothers (jointly). **Bids**—Tentatively expected to be received up to noon (EST), Sept. 30.

Westinghouse Electric Corp.
Aug. 27 filed 150,000 shares of common stock (par $12.50) to be offered under "employees stock plan" to employees of corporation and six subsidiaries. **Proceeds**—For general corporate purposes.

Wilhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of Texhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the Williston Basin area. **Office**—415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Texhead Royalty Co. above.)

Wisdom Magazine, Inc., Los Angeles, Calif.
July 14 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—For working capital. **Underwriter**—None.

Zeigler Coal & Coke Co., Chicago, Ill.
June 19 (letter of notification) 7,000 shares of common stock (par $10). **Price**—$13.25 per share. **Proceeds**—To R. M. Rogers, trustee for Nancy Leiter Clagett and Thomas Leiter. **Office**—21 East Van Buren St., Chicago, Ill. **Underwriter**—Farwell, Chapman & Co., Chicago, Ill.

Zenda Gold Mining Co., Salt Lake City, Utah
Aug. 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—At market, but not less than par value. (Current quotation of the company's stock on the Los Angeles Stock Exchange is seven cents bid and nine cents offered, if $120,000 gross sales price is received by the issue before all shares are sold, no further shares will be offered). **Proceeds** — For Alaska tin placer leases, exploration and development, retirement of debt, and working capital. **Office**—30 Exchange Place, Salt Lake City 1, Utah. **Underwriter**—Samuel B. Franklin & Co. of Los Angeles, Calif.

★ **Zolite Paint Products, Inc., Meridian, Miss.**
Aug. 25 (letter of notification) 500,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For expenses incident to creation of a group of chain stores as outlets for company's products and for further exploration for minerals, oil and gas in Mississippi. **Underwriter**—None, shares to be offered through company under direction of Alvin N. Roth, President and a director.

Prospective Offerings

Arkansas Power & Light Co.
Aug. 7 C. Hamilton Moses, President, announced that the company expects to borrow additional money next Spring to finance its 1953 construction program, which, it is estimated, will involve $29,500,000. On Sept. 9, it is expected that the company will sell at competitive bidding an issue of $15,000,000 first mortgage bonds due 1982 and use the proceeds toward its 1952 construction costs. See under "Securities in Registration" in a preceding column.

Associated Telephone Co., Ltd. (Calif.)
June 9 it was reported company may issue and sell in October about $8,000,000 to $9,000,000 of first mortgage bonds, series H, due 1982. **Proceeds**—For repayment of bank loans and construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co.

Bangor & Aroostook RR. (9/4)
Aug. 8 company applied to ICC for authority to issue and sell $4,000,000 of equipment trust certificates dated Oct. 1, 1952 and due semi-annually to and including Oct. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Freeman & Co.; H. M. Payson & Co.; F. S. Moseley & Co. **Bids**—Expected Sept. 4 at 11 a.m. (EST).

Bemis Bro. Bag Co.
Aug. 13 it was announced stockholders will vote Sept. 30 on increasing authorized indebtedness by issuance of $14,000,000 notes.

Byrd Oil Corp., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

California Electric Power Co. (10/8)
Aug. 11 company filed an application with the FPC for authority to issue 350,000 shares of common stock (par $1), and requested exemption from the Commission's competitive bidding requirements. **Proceeds**—To retire two convertible preference stock issues (5.50% and 5.60%) or for the discharge of bank loans, or both. **Offering**—Expected about Oct. 8. **Underwriters**—Company has been negotiating with several investment banking firms. Previous public financing handled by William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin. Previous private financing was arranged through Merrill Lynch, Pierce, Fenner & Beane.

Carolina Power & Light Co. (10/20)
July 17 it was reported company is planning registration late in August of $20,000,000 first mortgage bonds due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be opened at noon (EST) on Oct. 20.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Central Maine Power Co.
May 15 stockholders increased authorized common stock (par $10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par $100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of $8,500,000.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

● **Consolidated Freightways, Inc. (9/30)**
Aug. 26 company applied to the Interstate Commerce Commission for authority to issue and sell 100,000 additional shares of common stock (par $5). **Business**—Second largest motor common carrier of general freight in the United States. **Underwriters**—Blyth & Co., Inc., San Francisco, Calif., and associates. **Offering**—Expected late in September.

● **Erie RR. (9/10)**
Bids will be received by the company up to noon (EDT) on Sept. 10 for the purchase from it of $2,880,000 equipment trust certificates to mature semi-annually from March 15, 1953 to Sept. 15, 1962, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Harris, Hall & Co. (Inc.).

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

Food Fair Stores, Inc.
Aug. 19 stockholders approved proposals to increase the authorized indebtedness from $12,000,000 to $25,000,000 and authorized common stock to 5,000,000 from 2,500,000 shares. No immediate issuance of any securities is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Gulf, Mobile & Ohio RR. (9/10)
Bids will be received by the company up to noon on Sept. 10 for the purchase from it of $4,992,000 equipment trust certificates to mature semi-annually over a 15-year period. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Hecht Co.
Aug. 20 it was announced stockholders will vote Sept. 18 on approving certain amendments which would permit somewhat more long-term debt provided the company raises at least $3,500,000 of additional junior equity capital. Junior stock financing is now under consideration. **Underwriter**—Goldman, Sachs & Co., New York.

Idaho Power Co.
Aug. 19 it was reported company has granted an option to Wegener & Daly Corp., Boise, Ida., to purchase until Dec. 31, 1952, up to 21,000 additional shares of 4% cumulative preferred stock at 100 and accrued dividends.

★ **Idaho Power Co.**
Aug. 20 company applied to FPC for permission to issue and sell up to 225,000 additional shares of common stock (par $20) and requested that the issue be exempted from competitive bidding. **Proceeds** — For construction program. **Underwriters** — Blyth & Co., Inc., and Lazard Freres & Co., both of New York.

Industrial Research, Inc., Miami, Fla.
July 15 stockholders were scheduled to approve an offering of 225,000 additional shares of common stock (par $1). **Underwriter** — Barham & Cleveland, Coral Gables, Fla.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Leonard Refineries, Inc.
Aug. 6 it was reported stockholders on Aug. 26 may vote on authorizing an issue of $500,000 convertible debentures or preferred stock. **Proceeds**—Together with funds from private sale of $1,500,000 7-year serial notes, to be used toward expansion program. **Underwriter**—Probably Bradbury-Ames & Co., Grand Rapids, Mich.

● **Long Island Lighting Co. (11/18)**
Aug. 27 company announced its plan to issue and sell $20,000,000 additional mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Offering**—Tentatively scheduled for sometime in November.

★ **Mid South Gas Co.**
Aug. 23 it was reported company has asked the FPC for authority to start work on a $7,000,000 expansion program. An early decision is expected.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

New England Power Co.
June 26 it was announced company now contemplates an additional issue of first mortgage bonds and common stock in equal amounts, either late in 1952 or early in 1953. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To repay bank loans (estimated to be $11,500,000 at Dec. 31, 1952).

New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $6,000,000 of first mortgage bonds due Dec. 1, 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Nov. 14. **Bids** — Tentatively set for Dec. 15.

★ **Pacific Northwest Pipeline Corp.**
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first mortgage pipeline bonds, and preferred and common stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

● **Pacific Telephone & Telegraph Co. (9/22)**
Sept. 3 company was authorized by the California P. U. Commission to offer for subscription by stockholders an additional 703,375 shares of common stock (par $100) in the ratio of one new share for each nine shares of common or preferred stock held. American Telephone & Telegraph Co., the parent, presently owns approximately 90% of the outstanding common stock. **Proceeds**—To repay construction loans and for further expansion. **Underwriter**—None. **Offering**—May be made on Sept. 22.

● **Pacific Telephone & Telegraph Co. (11/18)**
Sept. 3 California P. U. Commission approved a proposal authorizing the company to issue and sell $35,000,000 of debentures due Nov. 15, 1979. **Proceeds** — For repayment of advances and bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co.; Morgan Stanley & Co. **Bids**—Tentatively set to be received at 8:30 p.m. (PST) on November 18.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at

Continued on page 30

Continued from page 29

an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Sierra Pacific Power Co.

Aug. 21 the California P. U. Commission granted this company an exemption from competitive bidding with respect to $1,500,000 first mortgage bonds and 26,775 shares of common stock (par $6.66⅔). **Proceeds** — To repay $1,100,000 of unsecured notes and for additional construction. **Traditional Underwriters**—For stock, Stone & Webster Securities Corp., New York, and Dean Witter & Co., San Francisco, Calif. Latest bond financing was done by Halsey, Stuart & Co. Inc., and associates.

Socony-Vacuum Oil Co., Inc.

July 18 it was announced company plans to offer to its common stockholders about 3,180,188 shares of common stock (par $15) at the rate of one new share for each 10 shares held. **Proceeds**—For expansion and improvements. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Not expected before late in September. **Registration**—Expected next week.

Southern Ry.

Aug. 20 the ICC denied the application of this company for permission to sell not exceeding $46,000,000 of new bonds without complying with the usual competitive rules. If offered competitively, the bidders may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds**—To meet in part the outstanding bond maturities of Southern Ry. and New Orleans Terminal Co.

Southwestern Public Service Co.

Aug. 4 it was reported that company may do some additional common stock financing and use the proceeds toward its construction program which, it is estimated, will involve approximately $23,000,000 for the year ended Aug. 31, 1953. Additional bond and preferred stock financing may also be necessary; this previously was done privately. **Underwriter—Dillon, Read & Co.** Inc., New York.

Texas-Ohio Gas Co.

Aug. 15 it was announced that the FPC hearing on proposals by this company to build a 1,406-mile pipeline extending from Texas into West Virginia and to import natural gas from Mexico, will reconvene Sept. 2. The project is estimated to cost over $184,000,000. **Underwriter**—Kidder, Peabody & Co., New York.

• United Gas Corp. (10/7)

July 25 it was reported that the corporation may issue and sell in the early Fall $60,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire bank loans and for new construction by company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively scheduled for 11:30 a.m. (EST) on Oct. 7. **Registration**—Tentatively scheduled for tomorrow (Sept. 4).

• Virginia Electric & Power Co. (10/21)

Sept. 2, Jack C. Holtzclaw, President, announced that the company plans to sell $20,000,000 of first and refunding mortgage bonds. **Proceeds**—To complete 1952 expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received on Oct. 21.

• Western Natural Gas Co.

Sept. 2 stockholders were to vote on approving the creation of an authorized issue of 500,800 shares of preferred stock (par $30), part of which the company plans to offer as convertible preferred stock (carrying a dividend rate of about 5%) for subscription by common stockholders. **Proceeds**—To redeem 2,053 outstanding shares of 5% preferred stock (par $100), to retire bank loans and for new construction. **Traditional Underwriter**—White, Weld & Co., New York. **Offering**—Expected early in October.

Continued from page 7

Point IV in Latin America

were sold and only poor varieties were saved for seed. Thus yields and the quality of crops deteriorated year by year. The Servicio had demonstrated on a small scale the difference selected seed and better methods of cultivation would make. In 1947, a seed testing and distributing agency was set up in the agricultural Servicio. That year almost 50,000 pounds of fresh, vigorous seeds were made available for sale to Paraguayan farmers. The demand grew so fast that by 1951 more than 1,650,000 pounds, including 87 varieties of major crop seeds, were bought by more than 10,000 farmers.

In 1942, not a single cow was bred specifically for milk production in Paraguay. The scarcity and the high cost of milk made it prohibitive in the diet of infants, invalids, and the aged. One of the first projects of the agricultural Servicio was to establish a model dairy and a pasturization plant. Holstein cows were imported and cross-bred with native stock that would be immune to certain local cattle diseases. The result has been a milk cow that yields a high ratio of milk and butter fat, while at the same time being more resistant to heat and disease. This program was watched with such interest by the Paraguayans that it has resulted in nationwide improvement in breeding and feeding practices and in greatly increased production of milk and meat.

In order to encourage better feeding of cattle, the Servicio in Paraguay set up a plant for manufacturing mixed feed. More than 1,000 tons of balanced dairy feed and prepared concentrates were manufactured and sold to dairymen at cost. The demand for the feed became so great that the Servicio-operated mill could not supply it. In order to attract local businessmen to take over the venture, the Servicio raised the price to a point that a profit could be made. In spite of the rise in price, the demand remained such that two Paraguayan businessmen set up facilities for making the feed. Now the two commercial mixing plants are using the Servicio formulas to manufacture the feed and are making a success of their businesses.

A resettlement program in Paraguay, which may eventually affect 100,000 families, is attracting much attention. The Government of Paraguay is financing the program and the cooperative Servicio is providing the technical assistance. The pilot colony began several years ago with 57 picked families. Later, a new and larger colony, building on the experience of the first, resettled 570 penniless farmers. These families were provided a proportionate share of 78,000 acres of land; loaned enough money to build a home and buy implements, livestock, seed, and fertilizer; and given adequate time to pay off their loans. Similar agricultural development programs are being carried on through Servicios in Costa Rica, Haiti, Honduras, Chile, and Uruguay.

In subsistance farming, harvest time is feast time; the rest of the year is hungry time. In Nicaragua, a Servicio-built storage plant will help to reduce spoilage of corn and beans that annually ran from 20 to 30% of the total crop. A grain storage and refrigeration plant in Costa Rica, built entirely with Costa Rican funds on the advice of Servicio technicians, is preserving grain and also meat and other perishables. In Paraguay, underground storage plants have proved so satisfactory that the same kind of plants are being built experimentally in the State of Kansas.

Health and Sanitation Measures Cut Death Rates

Normal life expectancy in Latin America is less than 45 years. Probably as many as 85% of the people are affected by intestinal disease, and one in every ten of the rural population suffers from malaria. More than half of all deaths are caused by diseases that are preventable through vaccination, better sanitation, and ordinary medical precautions.

The health and sanitation program in the Amazon River Valley of Brazil illustrates how this type program operates. The work there has concentrated on reducing malaria as well as typhoid and other water-borne diseases. As a result of the cooperative effort, these diseases have been virtually eliminated, not only from the Amazon Valley but also from the Rio Doce Valley.

In the Amazon Valley, 56 health centers and their subposts minister to 2,000,000 people scattered over an area nearly as large as that covered by all the United States west of the Mississippi. At first, 40 United States technicians worked with 500 Brazilians on this program. Today, not a single United States technician is in the Amazon Valley, the work being carried on by more than 1,000 Brazilians.

Cameta, a jungle village in the Amazon Valley, once had an annual death rate of 200 out of every 1,000 persons. The cooperative health Servicio opened a health center in 1945, dug a well to give the town a pure water supply, and dispensed health education. In the first 4 years, the death rate dropped to 70 per 1,000.

Education Concentrates on Essentials

In many Latin American countries, few pupils receive schooling beyond the fourth grade; in some countries the majority of children complete only one or two grades. Rural school buildings are often adobe huts with no windows; there is an inadequate supply of teachers, many of whom not only lack training for teaching but themselves have completed not more than 6 years of elementary school; and even the most necessary materials such as paper and pencils are lacking.

The cooperative Education program in Bolivia, for example, has assisted in revising the curricula of rural elementary schools in order to provide instruction not only in the three R's but also in improved methods of agriculture through the use of school clubs and school gardens; in personal and home hygiene, home-life improvement, and simple manual skills. Teaching methods are being improved and new teaching materials are being prepared. The rural normal schools are already training teachers under the program. The Servicio is operating a system of 12 **nucleos** under which each nucleo school administers and supervises some 20 other schools in its area. The Bolivian nucleo system has proved so successful that similar systems have been introduced in Ecuador, Guatemala, Honduras, Panama, Paraguay, and Peru.

The cooperative education program in Brazil has been designed to meet that nation's need for trained workers and technicians. Attention has been given to revising trade school courses to meet actual local needs for workers; to revamping teaching methods, based on job analyses and a proper balance between theory and shop; to developing suitable textbooks and other teaching materials; to introducing up-to-date systems of industrial surveys and vocational guidance; and to improving shop layout and equipment.

Governments Receive Help in Administration

Some Latin American countries have requested Point IV technical assistance in public administration. The Institute, with the help of other United States government agencies, has already made available to several of these countries specialists in public administration and government services.

The importance of this help can be demonstrated with a few concrete examples. Assistance in civil aviation is necessary because aviation is sometimes the only means of connecting the outlying sections with the country's capital, which is usually the economic heart of the nation; materials testing and standards are vital to industry and consumers; accurate weather information affects the efficiency of individuals and industries; census figures and economic statistics furnish the base for economic development and trade. Other necessary services are provided in communications, customs, labor, mapping and surveying, railroads, roads, tariffs, taxes, and water transportation.

Increased industrial production and improved operation of small and medium size businesses are being encouraged by establishing productivity centers. These are "know-how" centers to which the management of smaller industries can go for information and advice on operating practices. Through the efforts of these centers, it is expected that employment opportunities will increase, more goods will be available for use within the country, and standards of living will rise.

Latin American Program Praised by President Truman

The cooperative technical assistance program in Latin America is a 10-year proof of what can be accomplished by friendly neighboring nations to meet their common problems. It is the kind of cooperative effort President Truman was thinking of when he issued his challenge for Point IV. In commenting recently on the 10-year anniversary of the work in Latin America, the President said:

"The program of The Institute of Inter-American Affairs is one of the world's best examples of mutual effort by democratic nations to solve their most pressing economic and social problems. No other overseas government program better fulfills the historic good neighbor policy of the United States. The experience of the Institute shows us how technical assistance can be made available on a cooperative basis not only in the Western Hemisphere but also in other parts of the world under the Point Four concept.

"The Institute undertakes its constructive work only at the invitation and with the participation of the countries concerned. Two-way cooperation is the reason for the Institute's success. Through the Institute our country works with the other American republics as self-respecting nations, on an independent but cooperative basis.

"Over the past decade, the Institute's cooperative programs have touched directly or indirectly the lives of millions of people in Latin America on the farms, in the small towns, and in the big cities. Malaria and other dread diseases are being conquered. The capital of a leading Latin American country for the first time now has a safe system of water supply and sewage. Another nation is diversifying its basic agriculture in the first major program to change an uneconomic one-crop pattern established centuries ago.

"In the Andes region, industrial safety experts provided by the Institute are serving as advisors on safety methods in mining. In the vast Amazon River Valley, health centers established with the help of the Institute and staffed by doctors, nurses and laboratory technicians, are wiping out diseases and providing preventive medical services for jungle dwellers who never before had medical attention.

"These and other technical assistance projects are a notable contribution to the unity of the hemisphere and to its common determination to prove that the way of freedom is better than the way of communism."

Shearson Hammill Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Alfred G. Wandmayer is with Shearson, Hammill & Co., 520 South Grand Avenue.

Our Reporter's Report

The dearth of new corporate issues persists along with the hot weather despite the passing of Labor Day long recognized as the end of the holiday season and the beginning of a new work year.

This week brought little in the way of change from conditions prevailing marketwise a fortnight or so back. True the government market, whatever the basic reason, appears distinctly firmer, but evidently it has not yet proven itself so far as traders and investors are concerned.

Note the municipal market which has been in the process of adjusting itself to the realignment of values and yields in the Treasury list. New municipals have been going well it is true. But at prices which mean that those who have been lugging portions of older issues must mark down their quotations to move the inventory.

Insurance companies and banks, it appears, are in no mood to bid above their own ideas on price and yield. These institutions still seem to be running to mortgages and direct deals according to those in a position to judge what is transpiring.

These big lenders, it now develops, contracted early in the year for real estate paper and private deals to be taken up through the summer and early fall. Quite evidently they are finding their funds comfortably employed in financing these ventures as they come to fruition. Consequently, at the moment, they are out of the market.

Rail Issues Go Well

The last two railroad issues brought to market behaved in a manner which certainly must have given a lift to the morale of underwriters and dealers who had been more than a little disturbed by the behavior of governments in the last month or so.

Seaboard Air Line's $25,000,000 of new 3⅞% debentures went out rapidly to investors at a price of 98.815 despite a cover of two full points in the bidding. While the issue has a maturity date of 1977 investors were quick to note the sinking fund which is designed to retire the issue in an average of 12½ years.

Illinois Central's $62,000,000 of 3⅞% 30-year consolidation mortgage bonds, though forced to competitive bidding, encountered good reception when offered to yield a 4% return. Dealers reported 80% sold in the first full day, and say the issue is 90% marketed with the balance in strong hands.

Looking Ahead

The underwriting industry is now looking ahead to what it hopes will mark the start of a busy fall season when Tennessee Gas Transmission Co., opens bids, on Monday, for $40,000,000 of first mortgage, 30-year, pipe line bonds. Three groups will be bidding for this piece of business.

The following week will see one of the year's largest, if not the largest, "standby" operations getting underway when books are opened on Standard Oil Co. of Indiana's offering of 139,647,200 of convertible sinking fund debentures.

Because this issue will carry the privilege of converting into common stock, it will be offered first to shareholders with bankers standing by to take up any unsubscribed debentures for reoffering to the public.

Scott Paper Co. has a similar though smaller project in the works. Bankers will underwrite an offering of $25,000,000 of 25-year convertible debentures with "rights" to common holders of Sept. 8.

Watching the Treasury

Currently interest continues to center on what plans the Treasury may have for raising new money. Some are of the opinion that it is easy to overestimate this prospective call on the money market. In such circles it is not expected that the Treasury will go whole-hog.

Meantime with the pace keeping close to a walk in other sections of the debt security markets, those who derive their business from such sources are temporarily given to scouting the equity market for material that fits into the portfolios of pension funds and trust accounts. These investment elements, it is observed, must find outlets for their incoming funds.

Wertheim Places Notes

H. C. Bohack Co. Inc. has placed privately with an institutional investor, through Wertheim & Co., New York, an issue of $3,000,000 4½% promissory notes due June 1, 1968, according to an announcement yesterday (Sept. 3).

The proceeds are to be used in connection with the company's expansion program.

Bankers Underwrite Carrier Corp. Offer

Carrier Corp. is offering 78,734 shares of 4.8% cumulative preferred stock ($50 par value—convertible prior to Oct. 15, 1958) for subscription by its common stockholders of record Sept. 3 on the basis of one share of preferred stock for each 11 common shares held. Rights are to expire on Sept. 17, at 3 p.m. (EDT). The subscription price is $53 per share.

The offering is underwritten by a group of bankers headed by Harriman Ripley & Co. Inc. and Hemphill, Noyes, Graham, Parsons & Co.

The net proceeds from the sale of the stock will be used to pay for capital expenditures and any remainder added to working capital.

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Something new in political phenomena—strong cross currents of pressure developing both for AND against expansion of Federal subsidies for farm credit—is making an appearance in this capital.

On the one hand the groundwork has just been laid for a drive to boost appropriations for direct Federal loans of the most liberal variety for the most under-privileged of farmers.

On the other hand, another movement has been launched to remove one agricultural credit agency out from under complete Administration domination, give it a greater degree of independence, and at the same time curtail somewhat the element of Federal subsidy.

Study Pitched at New Aids

Senator Allen J. Ellender, Jr. (D., La.) the Chairman of the Senate Committee on Agriculture, took time out between cussings of Gov. Stevenson on the tidelands question, to direct that a study be made of the "adequacy" of credit available to farmers.

This study will be conducted by Dr. Walter Wilcox of the economic staff of the Library of Congress, in close and intimate cooperation with the Farmers Home Administration (the "farm FHA"). Dr. Wilcox appears to belong to that large band of Washington "economists" with broad sympathies as to the need of various groups for Federal assistance and considerable imagination about how these needs can be met.

Last April Dr. Wilcox made an abbreviated study of the adequacy of farm credit for the benefit of the Senate Committee on Agriculture. By a series of questionnaires and other devices, Dr. Wilcox came forward with the intelligence that the needs of farmers for credit just were not going to be met, what with rising costs of production, rising costs of machinery, and this and that bad setback here, there and yon for many groups of farmers.

While seeming to build up the argument for a vast expansion of direct farm credit aids, however, Dr. Wilcox came forward, surprisingly, with the rather moderate conclusion that most farmers who are well established can get credit, but that the farmers on the smaller, poorer farms and the young people who have insufficient assets cannot get adequate credit.

Points to Farm FHA

This amazing and profound intelligence, of course, ostensibly pointed the finger directly at the need for building up the farm-FHA, for the farmers who are not well established or who are by objective standards poor credit risks, are the special wards of the Farmers Home Administration.

Under this agency's statute, no farmer who is eligible for a loan either from a commercial lending institution or the agencies of the Farm Credit Administration, may be accommodated by the farm-FHA. It is specifically charged with taking care of the left-overs, fundamentally the same job it took for itself under Rexford Guy Tugwell when it was known as the Resettlement Administration and was a center of hot controversy in the early days of the Roosevelt dispensation.

Farmers Home Administration has crawled back slowly from the days when it was in political disrepute and eclipse under the most ardent of the early New Deal radicals. It can now make (aside from direct and insured long-term easy mortgage loans) seven-year production loans with direct Federal funds up to a maximum of $10,000 per borrower-farmer. This has been quite an advance from the time when Congress restricted these loans to five-year terms and the maximum per borrower to $3,500.

However, Congress has not given liberally even as yet for these particular loans. Congress appropriated $110 million for such loans in fiscal 1952 and $120 million for the current year.

Dr. Wilcox's study as directed by Senator Ellender will be in the form of a re-do of the April, 1952 report, with the latest information and probably the latest data to point to the need for a bigger farm-FHA.

Set Up Farm Credit Board

A move in the opposite direction is the proposal to take the Farm Credit Administration out from the control of the Department of Agriculture and place it in an independent agency status. Its main policies would be determined by a Farm Credit Board. This Board at first would be a mixed agency consisting of representatives of borrowers and appointees of the Administration. In proportion as the borrower-members reduced Federal capital in the FCA institutions with borrower capital, the representation of borrowers would be increased.

This proposal, curiously enough, is also backed by Senator Ellender. It is, however, the objective of three farm organizations, the American Farm Bureau Federation, the National Grange, and the National Cooperative Council. The former two, particularly, have been noted in recent years for their urging of smaller subsidies for farmers.

The bill contains a complicated scheme whereby borrowers would steadily increase their ownership of the various FCA sources of credit, the Federal land banks, intermediate credit banks, and banks for cooperatives. Furthermore, after capital and/or surplus was built up to a certain ratio, these institutions would begin paying a franchise tax to the Federal Treasury.

There doesn't appear to be one line in the bill which would extend the credit empire of the FCA a whit.

FCA is unique among Federal institutions in desisting from making any very serious effort in recent years to build up a bureaucratic empire.

In its original conception, the FCA looked like it was tagged to be the agency to go far toward federalizing all credit for farming. It was devoted to encouraging through cooperative forms of operation, short-term, intermediate term, and cooperative farm organization credit.

Its operating principle is that each borrower must subscribe to in capital of the lending agency, a sum equivalent to 5% of amount of the loan. With earnings built up over a period of years, the capital contributed by beneficiaries has been increasing, and government capital decreasing, the original capital having been all governmental.

When the FCA was set up in the early '30s as a "central single credit agency," it undertook the job of refinancing all the farm indebtedness it could pick up. Curiously, the FCA aimed not merely to refinance distress farm mortgages, but to refinance any farm mortgages it could get a hold upon. In this respect the Home Owners Loan Corp. provided a contrast, for HOLC was concerned only with refinancing distress urban mortgage debt.

As fast as FCA acquired mortgagors, the agency thereby acquired "members" of its cooperatives, for membership in its borrowing cooperatives was a condition to obtaining loans. Loans were shoved out fast. It was even reported that two of the land bank presidents who insisted upon weighing the character of the borrower as well as the collateral, were fired for their prudence. The idea was to get the money out and fast, both to serve the purposes of the Roosevelt Administration and to acquire "members" for its cooperative associations.

With this background FCA looked like it was going into the empire building business. Since the frantic early '30s, however, FCA cooled down. It has been sticking to its "normal value" appraisal standard, shutting it out of a lot of mortgage business that has been going to insurance companies and other lenders. In the main FCA has taken this reduced operational status without much complaint.

Meanwhile Farmers Home Administration has stepped in to build its little empire handling the fringe credit business.

Sawyer Demolishes Poses

One of those intriguing things which excite professional observers is why comparatively little attention was paid to the fact that Commerce Secretary Charles Sawyer demolished two of the big poses taken by, if not the Truman Administration, at least by elements thereof.

Newspapers, of course, did print widely Mr. Sawyer's report on the outlook for steel prices as a result of the steel wage settlement. Mr. Sawyer reported that near-term effects of the settlement toward price rises would be negligible.

This completely contradicted the line of OPS and other elements of the Truman Administration, even including (if privately) the Federal Reserve Board, that the effect of higher steel price ceilings would be to loose another inflation spiral.

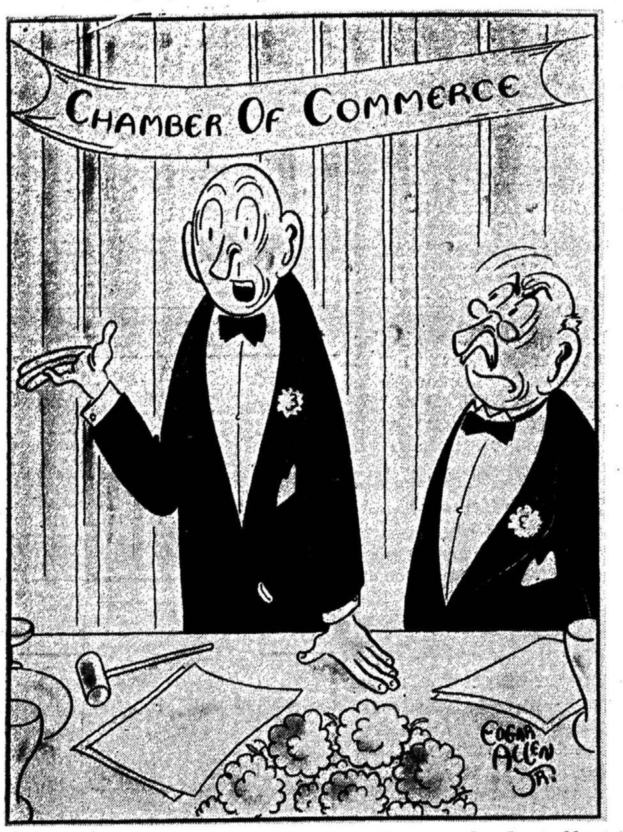
Back in August when the Department of Agriculture was making big noises and appointing committee to deal with the drouth emergency, Mr. Sawyer found that while specific areas had been hurt by the drouth, in general there had been no major effect upon the nation's economy.

Ordinarily when one member of an Administration contradicts the pose or assertions of other members of the Administration, newspapers give this a considerable rumble. It may be that, since Mr. Sawyer in his own independent way so obviously reported truth as conveyed to him, that even professional politicians did not think it significant in this day of hokum to get excited when anybody reports a seeming truth.

Incidentally, Sawyer got his opinions after the numerous field offices of the Commerce Department had made wide inquiry among bankers, farmers, business people, and others equipped to give answers on these two subjects. These field offices represent a mechanism that has been ignored almost entirely since, with the advent of Roosevelt, the Commerce Department has been largely in eclipse.

(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 now present a man who's name will never be forgotten in the field of commerce and finance—a name that will be remembered through the centuries— Mr.—er—Mr.—er—er—"

Commodity Prices Tending Upward

Wholesale commodity prices turned upward during July for the first time in nine months and reached the highest level since last April, with the index, based on 1947-49 as 100, rising to 111.8 in July from 111.3 in June. Nevertheless, wholesale prices in July were still 2.1% below the level reached in the like month a year ago and 4% below the record high peak reached in February and March of last year. Weekly figures for August, says the Alexander Hamilton Institute, indicate that prices are still trending upward at a moderate rate.

With Eastman, Dillon

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Gordon R. McGrath has become associated with the firm.

Business Man's Bookshelf

Manual of Sugar Companies: 1951-1952—29th edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—Cloth—$2.00.

Memoirs of Herbert Hoover, The—1929-1941 (The Great Depression)—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—Cloth—$5.

Operating Results of Limited Price Variety Chains in 1951—E. R. Barlow—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—Paper—$2.00.

Walsh-Healey Public Contracts Act—John V. Van Sickle—American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—Paper—50c.