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EDITORIAL

As We See It

If current plans are realized Congress will soon end its current session. The Executive branch has settled down under the new Administration to the point where it is possible to see what it has accomplished to date. It is, accordingly, not difficult now to envisage the situation as it is likely to exist at the turn of the year, and to make a sort of inventory of the problems and the tasks which will face the Eisenhower regime and its associates in Congress when the legislative body assembles next January.

It will be conceded, we think, by most impartial observers that a good beginning has been made in getting our national house in order, and it must be admitted by all that not more than this has been accomplished. This Administration was faced by a most difficult and complex situation when it came into office. Not only was the state of affairs in many ways hard to get under control, but by the very nature of much of it very substantial lapses of time were inevitably required to make any real showing of progress. Some things have been left undone which we had hoped would be done or at least gotten definitely under way by now, but it is hardly profitable at this time to undertake any lengthy discussion of the question as to whether in all the circumstances more should have been accomplished.

Far more to the point, so it seems to us, are those things which are essential and which have not yet been achieved—and which accordingly must face the powers that be when Congress reconvenes after the turn of the year. Among these we should put at the top, or near the top, of the list the problem of getting Federal expendi-

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Forces Eroding Our Free Enterprise System

By LOUIS RUTHENBURG*
President, Servel, Inc.

Prominent industrialist traces development of economic freedom and the free enterprise system, with its risks and rewards. Points out industrial growth in U. S. has been in the public interest, but the vitality of free enterprise has been impaired by the cumulative effects of such erosive influences as heavy tax burden and other curbs on individual incentives. Ascribes terrible problems that plague us to public indifference, complacency, ignorance and wrong thinking.

As confusion and controversy threaten our foundations, it becomes increasingly apparent that we must develop understanding as to "whence we came, whither we are going, and how we are going to get there." Such understanding cannot be accomplished merely by making and hearing speeches or by publishing or reading newspaper articles or through the medium of moving pictures. We must discuss and debate many issues and analyze them in their relationship to the common good. Then we must cause others to do likewise.

Louis Ruthenburg

In the Beginning

Our Declaration of Independence and Adam Smith's "Wealth of Nations" both appeared in 1776. One was an immortal expression of the social and political aspirations of free men; the other a declaration for economic freedom. These liberal political and economic declarations coincided with the early ferment of the industrial revolution. Under this constellation of events and upon an undeveloped continent rich in natural

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*An address by Mr. Ruthenburg before the Hadi Shrine Luncheon Club, Evansville, Ind., July 3, 1953.

Comments on "An Inside View of the United Nations"

In his article "An Inside View of the United Nations" which appeared in the "Chronicle" of July 2, William A. Robertson, Member of the New York Bar, described the political conditions that have prevailed (and still prevail) among those countries which are currently, or within the past six years have been, Governors of the World by virtue of holding seats in the Security Council of the United Nations. Mr. Robertson detailed the record of political instability, featured by wars, revolutions and revolts, for each country and contended that in view of the record, it is worse than futile to expect them to make any contribution to the peace objective of the United Nations.

The "Chronicle" has received many letters commenting on the views and opinions expressed by Mr. Robertson, some of which are given herewith. Others will appear in subsequent issues.—EDITOR.

JOHN J. McCLOY

Chairman of the Board, Chase National Bank of New York, Formerly U. S. High Commissioner for Germany

I think Mr. Robertson has rather overdone the job. He has pointed out successively what is wrong with practically every country in the Free World and concludes they are poor partners. I think I take a less pessimistic view. I imagine that if one sat down and concentrated on the bad aspects of the United States, it would look rather impressive to foreigners. The point is we are not "running a small corporation or a ten-acre farm"—we are dealing with enormous imponderables and it is only by having more people knowledgeable about them that I think we have any hope in arriving at peaceful solutions in this world.

John J. McCloy

It is, of course, true that the United Nations has many imperfections, but so did the Articles of Confederation, but they set us on the way towards a sound Consti-

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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 34.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Chicago, Indianapolis & Louisville Ry. Class "B" Common— Henry Oetjen, Partner, McGinnis & Co., N. Y. C. (Page 2)

Miami Copper Company — Harry L. Schick, Sutro Bros. & Co., New York City. (Page 2)

HENRY OETJEN

Partner, McGinnis & Co., New York City
Members New York Stock Exchange

Chicago, Indianapolis & Louisville Railway Class "B" Common Stock

Among low priced railroad stocks Chicago, Indianapolis & Louisville Class "B" common stock deserves special consideration at the present time.


Henry Oetjen

After coming out of reorganization in 1946 with a very poor reputation among shippers because of its rundown roadway and its outdated equipment, the road has been able to overcome these disadvantages by a very successful effort to attract new business on the basis of greatly improved service. Since 1946 about $21,700,000 have been spent for capital improvements of roadway as well as equipment. The road is at the present time completely dieselized and its freight car fleet has been increased to 2,810 units, of which only 154 were in need of heavy repairs at the end of the year 1952. Its roadway and structures are in good condition so that no large outlays should be necessary for this purpose in the future.

The heavy capital expenditures have paid off through greater efficiency of operation. The operating ratio was reduced from 89.6% in 1946 to 75.7% in 1952. 1953 should see further improvements in the efficiency of operation.

The management of the company released recently the earnings for the first four months of this year. Gross revenues were up from $7,117,000 last year to $7,401,000 this year. Net income increased from $321,000 last year to $447,000 this year. Earnings per Class "B" common share amounted to $1.55 for the first four months of 1953 against $0.91 for the corresponding period last year. These earnings are figured on a non-participating basis after deducting the dividend requirement on the Class "A" stock. With this excellent start the road should be able to show this year its best earnings for the postwar period, exceeding those of $4.45 on the "B" stock in 1950.

The increase in gross revenues is especially gratifying since it indicates that the road will most likely be able to continue to obtain an increasing share of the traffic of its region. Its gross revenues have increased from 0.9% in 1947 of the total gross revenues of its region to 1.1% in 1951. This year's figures point to a further increase in this percentage.

Despite the large capital improvement program, the road has been able to keep its working capital in good condition. Its net current assets amounted to $2,800,000 as of Feb. 28, 1953, which is well in excess of working needs. The road has also been able to reduce its total funded debt from $16,528,000 at the time of reorganization in 1946 to $13,475,000 at the end of 1952. Interest payments on its income bond issues were made regularly and dividends on the Class "A" stock have been paid for the last three years at the rate of $1.25, leaving arrears of $3.75 at the present time.

The fact that this stock is now selling at little more than two times its average earnings over the last three-year period (earnings on a non-participating basis amounted to $4.45 in 1950, $4.02 in 1951 and $3.63 in 1952), should make this stock an outstanding speculation. To this has to be added the fact that the road is seriously engaged in merger talks with larger systems at the present time. Among the candidates the Chicago & Eastern Illinois has been mentioned as the most serious one. A merger between these two roads would be of great advantage to both carriers. Large operating savings could be obtained, administration could be simplifeid, duplications of traffic solicitation could be eliminated, equipment could be utilized much more efficiently and competition between the two systems could be turned into a combined effort to obtain additional traffic. Of course, many difficulties have to be overcome in such a merger operation, and it is not sure that a merger will actually be accomplished within a short period of time. However, there have been enough official confirmations of merger negotiations between the two roads to justify speculative interest in this situation.

It is naturally impossible at the present time to guess the treatment the C. I. L. "B" stock would receive in a possible merger. However, it appears quite clear that the present price of 9 on the C. I. L. common "B" stock, listed on the N. Y. S. E., does not reflect the value of this property if it should be acquired by another road. The book value of the common stock is a fair multiple of this amount and the earning power of the stock, with earnings averaging better than $4 over the last three years, should justify a price considerably higher than current market quotations.

HARRY L. SCHICK

Sutro Bros. & Co., New York City
Members New York Stock Exchange

Miami Copper Company

Miami Copper common stock not only sells below its net working capital per share, but contrary to many "net quick" situations, it offers the prospect of worthwhile earnings and dividends for many years to come. This Arizona copper producer has heretofore been considered a high-cost operator and, until recently, the company's reserve position was not particularly favorable. Investors appraised Miami Copper stock cautiously, so that the issue sells below its net liquid assets per share and below its book value. In the writer's opinion, such an appraisal of the stock is no longer justified, based upon developments which not only increase economic reserves and production life, but also create assurance of good earning power for a prolonged period. Against this background, the capital stock (selling around 22 on the New York Stock Exchange) offers good value, a liberal yield of some 9.1%, based upon the $2.00 annual dividend, and the opportunity for eventual appreciation.


Harry L. Schick

Miami Copper Co. and its wholly owned subsidiary, Castle Dome Copper Co., produced last year 100.5 million pounds of copper along with 551,000 pounds of molybdenum. Roughly half of the copper was from the Miami property and the other half from Castle Dome. Reserves of Castle Dome are estimated at 45 million pounds of copper, and this property will be exhausted late this year; preparations are under way to bring into production a new ore body, Copper Cities, as a replacement.

Copper Cities Mining Co., an unconsolidated subsidiary, has executed a contract with the U. S. General Services Administration providing that Copper Cities has the right to call on the government to purchase at 23 cents per pound (subject to escalation) up to 170 million pounds out of the first 192.5 million pounds produced, if the company is unable to sell such copper at a price equal to the contract price. During 1952, expenditures of $2.8 million were made on the Copper Cities property, bringing total expenditures to $5.6 million. Further expenditures will total $9.6 million, most of which may be financed at the company's option through the Reconstruction Finance Corporation. It is estimated that production will commence early in 1955.

Miami Copper Co. has also negotiated a contract with the U. S. Defense Materials Procurement Agency providing for the sale of 230 million pounds of copper at $27.35 cents per pound (subject to escalation), along with a provision for sale of molybdenum concentrates. Such copper is to be produced from a low grade section of the Miami property, and output is to start not later than June 30, 1955. The government also has an option to purchase up to 120 million pounds of copper from the remaining old Miami reserves at the lower of the average price per pound for the month of delivery or the ceiling price, if any. Development of the low grade ore (about 23 million tons), estimated to cost $3 million, is scheduled for completion in 1955.

Capitalization as of Dec. 31, 1952 was:

Funded Debt	$1,000,000
Capital Stock ($5 par)	739,316 shs.

Copper Cities had borrowed $1 million from the R.F.C., and since the year end has borrowed an additional $500,000. Repayment begins with output of the mine.

Balance Sheet: At the last year end, current assets were $18.8 million (plus listed securities at market of $2.9 million), current liabilities were only $3.9 million, and cash items alone were some $12.7 million. Net liquid assets (including securities) after all liabilities ahead of the common stock were equivalent to $22.50 per share. Some quarters feel that the net liquid assets per share are substantially higher, if inventories were revalued up to market. Book value works out to some $33.50 per share, which is believed to be an understatement based upon present estimates of available reserves.

Marketable securities consist of 65,600 shares of Tennessee Corp.

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The Factors Back of Rising Interest Rates

By WILLIAM WITHERSPOON
Newhard, Cook & Co.
Members New York Stock Exchange

Investment analyst reviews background developments which have resulted in the rising trend of interest rates, and takes a look into the future. Says future rates will be governed on the supply side by the size of the gold stock and on the demand side by the magnitude of our economy. Looks for continued extension in the demand for credit, and downtrend in bond prices.

Investors are interesting because they are people and people are funny. Mankind has, through the ages, exhibited a vacillating temperament and has failed to profit from experience. Investors being a part of mankind, indeed a very small part, have the same stripe. They too are vacillating and fail to profit from experience. That is the chief cause for the great uncertainty that seems to prevail continually in and about investment markets.

William Witherspoon

An example of this failing is demonstrated with regard to the rising trend of interest rates. Not only the large majority of individual investors but also many professional bankers and investment bankers must be deficient in understanding the factors affecting interest rates and the prices of money-rate securities. It was said in the "Guaranty Survey" of last month that, "The outcry against 'tight money' reveals a surprising number of basic misconceptions, even in quarters where more understanding might be expected and needed." Hence, it would seem apropos to review some of the background developments which have brought us to the present position, and look from here a bit into the future.

Growth in Gold Stock

The first and foremost development which, in fact, underlies our whole economy, was the growth in the gold stock from 1933 to 1941. The increase in this figure from about $4 billion to $23 billion during this period expanded basic deposits in both the commercial banks and the Federal Reserve Banks so that a vast amount of credit could be erected thereon. These basic deposits differ from the usual deposit expansion because they of themselves do not require the creation of credit to come into existence, but expand the credit foundation so that a larger structure can be built thereon. Hence, both in theory and practical application it might be generally assumed that the amount of bank credit that our present economy can support is some 5½ times the volume that existed, let us say, in the prosperous year of 1929.

The growth in the gold stock during the 1930s was not all the result of our planning. The first wave, beginning in 1934, was deliberately planned through the devaluation of the dollar or the raising of the gold price from $20.67 per ounce to $35 per ounce. This, overnight, raised the value of the gold stock from around $4 billion to $7 billion, and for a while thereafter a large quantity of gold was sold to the United States at this attractive figure. From the mid-1930s on, however, the rise of Mussolini and Hitler was the chief cause in driving European gold to the haven of America.

Financing World War II

The second development, which was the result of the first, was the gradual decline in interest rates during the 1930s and even through World War II. This was a manifestation of the law of supply and demand as applied to credit. Interest rates are merely the prices of credit, and as credit became more and more abundant the price declined. This of itself is simple, but a question arises when it is observed that the United States lost some gold during the war, while interest rates were continuing to decline. During these war years this supply-demand relationship became obscure; the "money-managers" seemed to have taken over and to have abrogated these more abiding laws of economics. However, upon careful observation it is seen that the supply of potential credit increased much more rapidly during the 1930s than interest rates declined. That is to say, gold flowed into the United States at a faster rate than could be assimilated by the banking community and indeed our whole economy. Hence, at the beginning of the American participation in the war in 1941 the credit base was so much larger than was reflected by prevailing interest rates that the financing of the most expensive war in history could be accomplished with a continuing downward trend in the rate pattern. But—and here is the important observation—the rapid expansion of government debt during the war just about balanced the supply-demand equation so that a further prosecution

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Rubber Plants

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A current view of leading producers of rubber—natural and the other kind—and some slight appraisal of rubber shares in a not-so-bouncy market.

Don't let this title confuse you. We're not going to talk about the rubber plant that flourishes in a pot on porch or patio; instead we're going to plough through a few paragraphs to describe some rubber plants that provide the elastic highway doughnuts on which roughly 57 million American motor cars, trucks, tractors and buses now roll on the roads from Portland to Portland and from Miami to Monterey. For, you see, tires virtually are the big slice of rubber industry and their sale, in turn, depends importantly on amount, and the mileage, of all our motor vehicles.

Ira U. Cobleigh

Let's go back a bit. In 1937 total U. S. rubber consumption was about 550,000 (long) tons and all the raw rubber came from plantations in Malaya, Sumatra, South America or Africa. Certain companies, importantly Goodrich I believe, had been doing some research in synthetic rubber, but as late as the year 1941, total American production in this category was only slightly above 8,000 tons, out of total consumption, in that year, of about 780,000 tons. Then came Pearl Harbor and at a single stroke, all East Indian rubber supplies were cut off; yet we had a vastly increased tire demand for military trucks, tractors, motorized artillery, jeeps, aircraft, etc. So there immediately was set in motion a vast venture in which industry and our government cooperated to replace and, in fact, exceed previous production levels of raw rubber, by synthetic means —with cost being, at that moment, no particular object.

Growth of Synthetic Output

Just how successful this program was, is indicated by the figures of synthetic production starting from around 18,000 tons in 1942 to top output of 820,000 tons in 1945. The building up, from scratch, of this king-size artificial rubber industry in four years' time had an important bearing on our winning of World War II. It also placed us with a big productive capacity (government owned) when the war was over, and posed the question of relating this production to the total demand, the price comparison with the natural product, and our desire, postwar, to rehabilitate the East Indian economies.

A rather nice balance was struck in the year 1947, when consumption (totaling slightly over one million tons) was divided equally between natural and synthetic rubber, and the price that year was 18½ cents a pound (government fixed) for synthetic, against an average price for raw of 20 cents—though it actually touched a low of 14 cents. During 1948 and 1949 raw rubber gained in use and a number of synthetic plants were closed—only to be dramatically reopened in late 1950 when the Korean War again threatened our East Indian supply; zoomed the price of natural rubber from 21 cents to 52 cents, and installed the government as the sole buyer and importer of natural rubber. The government did the stockpiling and made the necessary allocation between civilian and military use.

After the mad scrambling in 1950, demand slackened somewhat, and Malayan supply improved, which just about brings us up to date with natural rubber now around 22 cents a pound, and synthetic rubber 23 cents. Nineteen hundred and fifty-two synthetic rubber production was 800,000 tons (roughly two-thirds of total consumption).

Plan Sale of Government Plants

A bill is in Congress now, to authorize and arrange sale of the $500 million government-owned synthetic rubber plants among the 17 private companies presently operating same for Uncle Sam. Synthetic rubber is here for keeps, and its quality and serviceability have been vastly improved. Moreover, the existence of large and reliable supplies of synthetic, should do a lot to even out the peaks and valleys of rubber company earnings, so characteristic in days when the sole raw material was the imported, and elastically priced, natural crude.

Huge Tire Market

So far we've talked only of the basic ingredient; so let's switch now to the finished product—tires, mostly; though there are expanded uses in foam rubber, foot wear, belting, pharmaceutical and sporting goods. Tire demand is of two sorts—new vehicles, and replacement, and at the rate we're now running the market needs about 100 million new tires a year, 30% to 40% for new vehicles and 60% to 70% for replacement. It's a huge market and even though we're now turning out tires built to last longer, high compression motors with "revved up" horsepower (and the greater acceleration and sustained speed which these induce and encourage) tend to reduce tire life. Then, too, these easy riding, low pressure, casings now so popular, are likely to give out in the sidewalls before their tread (or retread) mileage has been exhausted.

So, having set the basic background for this quite specialized industry, let's take a quick, investor's eye view of some of the companies playing in the tire field.

Goodyear Tire & Rubber Co.

Biggest is Goodyear Tire & Rubber Co. with 1952 net sales of $1,138 million—about 70% of it coming from tires. New cars coming off the assembly lines of Chrysler Corporation are usually Goodyear shod; while the sales for replacement are effected through 400 company outlets and an extensive dealership.

Non-tire items include belting and flooring, Airfoam, Pliofilm, Neolite heels and soles as well as the plain rubber variety.

Carried on the Goodyear balance sheet are $100 million in overseas holdings, including extensive rubber plantations in Sumatra and the Philippines,

About the securities, 4,373,124 common shares are listed on the New York Stock Exchange and selling at 49. Record earnings of $8.30 per share were reported for 1952 and current results suggest equal or better net for 1953. The indicated $3 dividend seems quite well cushioned, and another year-end stock dividend (5% in 1952) would be no startling surprise. Dividends on the common have been paid since 1937.

Firestone Tire & Rubber Co.

Like Goodyear, Firestone Tire & Rubber Co. has important foreign investments with distributing units and plants in South America and Europe, and plantations in West Africa and Siberia. About two-thirds of revenues come from tires, principal new equipment sales covering a portion of General Motor and Ford production, together with Studebaker and Packard. For replacement coverage, Firestone has wide dealership, and its own retail establishments in dozens of cities. "Foamex" sponge rubber is a principal collateral product.

Ten dollars and eighty-nine cents was earned for 1952 on each of the 3,929,000 common shares, and operations for this year seem to be running at about the same rate. An unbroken dividend skein runs back to 1924. There was a two-for-one split in October, 1951; and cash distribution for 1952 was $3.50. At present price of 58, the indicated yield is 6%.

United States Rubber Company

United States Rubber Company has the biggest non-tire business of the majors in the rubber industry, over 50% of net sales coming from some 30,000 assorted items including tire cords, rayon and asbestos, belting, hose, road surfaces, rubbers and sneakers. In tires its big prime markets are Chevrolet; and for replacement sales, Montgomery Ward.

About sources of supply, some 20%, or roughly 50 million pounds of crude is produced on company-owned plantations (85,000 acres in Malaya and Sumatra). U. S. Rubber also has been operating three government-owned synthetic plants.

On the basis of yield, R common is among the most attractive, with the indicated $2 dividend yielding about 7.6% on its current quotation of 26. This dividend payout is below 50% of current earnings. Per share earnings of $4.33 for 1952 could blossom to between $6.50 and $7 if and when E.P.T. drops dead, since U. S. Rubber net suffers from tax altitude—70% that is.

B. F. Goodrich Company

B. F. Goodrich Co. gleans about half of its revenues from tires, but has been perhaps the most aggressive of the "big four" in research and in chemical variations of rubber production. Under the leadership of President J. L. Collyer, Goodrich pioneered in synthetic rubber, has engineered a line of tubeless tires, developed big production in vinyl plastics ("KOROSEAL") and chemicals; and in the last quarter of 1952 joined with Gulf Oil on a petro-chemical project.

Strikes in 1949, and again in 1952, reduced earnings but over the past decade Goodrich has enjoyed the widest profit margins of the "Four." While the lowest yielding in the group, GR common is a favored holding among a number of investment trusts and is thought by some to have the most favorable growth potential. Capitalization is simple with $56,557,730 of debt preceding 4,170,425 shares of common, selling now at 66 and with indicated dividend of $2.60. Nineteen hundred and fifty-two per share earnings to support this distribution was $7.60.

Other Producers

This capsule comment on rubber plants may serve as some useful reference for your further research, and may indicate roughly the improvement in the industry due (1) to heavier use of synthetic rubber with its greater price stability, and (2) the spreading out into more diverse lines of production. Other units in the trade deserving your inspection would include **General Tire**, merchant of premium grade replacements; **Armstrong**, supplier to Sears Roebuck; and **Dayton**, specialist in foam rubber.

Americans are not going to stop buying and driving cars, and the companies are not going to stop advancing new uses for rubber. Rubber shares are today at considerable discount from 1953 highs.

A Look at the SEC Prospectus Requirements

By J. HOWARD ROSSBACH

Attorney-in-Chief, Legal Aid Society, New York City

Former Commissioner, Securities and Exchange Commission

Mr. Rossbach, asserting prospectus requirements of the Securities Act of 1933 are unwieldy, unduly burdensome and ought to be amended, contends the sounder and larger a corporation is, the more trouble it will have in preparing a suitable prospectus. Discusses history and purposes of the Securities Act of 1933, and cites cases to show burdens and difficulties in fulfilling SEC requirements, which he points out, in many cases, are unfair and impractical. Expresses opposition, however, to entire repeal of the Securities Act.

I have become increasingly convinced that certain of the prospectus requirements of the Securities Act of 1933 are unwieldy, unduly burdensome and ought to be amended. Having struggled with prospectuses in private corporate practice, and later having seen them come in to the SEC while I served as Commissioner in a term notable only for its brevity, I am convinced that the sounder and larger the company, the more trouble it will have in writing a suitable prospectus. New untried ventures having little in the till besides the aspirations of the promoter, can dash off a prospectus in a few pages—there just isn't any business to be described. On the other hand, a large corporation that has been in business for over 50 years must set down with the greatest of particularity its own business and that of its subsidiaries. Add a few foreign subsidiaries, and the prospectus becomes to the average investor a bulky jumble of carefully hedged facts and figures.

J. Howard Rossbach

The Purpose of the Act

Fundamentally, the Act was designed to require disclosure to the prospective purchasers of a security; disclosure of the condition of the company so that the purchaser could decide whether he desired to acquire securities at the price at which they are offered. Shady enterprises were to be shown up in the pitiless light of revelation.

Teeth were put in the Act. Not only are there criminal penalties, but in the event that there is a material misstatement in the prospectus, or the prospectus is silent as to a material fact, the purchaser can reject the security and, in effect, "put" it back to the seller for the consideration paid. A seller of securities is therefore under heavy compulsion to disclose every material fact regarding the company involved. Fine and dandy.

How It Works

In practice we get some absurd results which would be funnier if they were not so expensive to the people concerned. Take the "Mammoth Manufacturing Company." "Mammoth" has been in business for over 50 years and serves a good portion of the United States. Its securities are listed on all the big stock exchanges, and active markets exist for "Mammoth's" stock in all the major cities of the United States. It has hundreds of thousands of stockholders, and its shares are generally described as suitable for widows and orphans. "Mammoth" wishes to expand its facilities by the issuance of $100,000,000 worth of new shares—not an unduly large amount for a billion dollar corporation. Now the fun begins. Notwithstanding the fact that "Mammoth's" business and finances are set out in elaborate detail in the financial services, and notwithstanding the fact that the price of its shares is set in the free market, it and its lawyers must set about writing a small book to inform prospective purchasers of these same conditions plus the effect of the new financing. Each major subsidiary is paraded in all its glory, and balance sheet follows balance sheet.

Right now I'd like to nail down one point. It is not the SEC, the administrator of the Act, that is interested in a large prospectus. Quite the contrary. The able staff of the Commission makes a conscientious effort to require simplicity. I suggest to any skeptic that he come to the Commission (as one hopeful applicant actually did) with a 100-page prospectus and hear the howls and lamentations. No, the main damage is done by the lawyers for the company—and I must say I do not blame them a bit. Earlier we mentioned the penalties for not complying with the Act. What lawyer worthy of his salt could in good conscience advise his client to take the risk of omitting any fact which might, in the light of retrospect, be held material? Assuming that the omission were not held wilful, nevertheless the result would be a refund of the issue price at a time when the stock might be selling at a substantial discount. Just as lengthy trust indentures have been described as "the accumulation of fears of generations of lawyers," so the length of the prospectus represents the lawyer's genuine anxiety to insulate his client from liability.

Thus the weary farce draws to its climax when the registration statement becomes effective, and the public offering is made. There is no question of a fictitious price. The price is fixed by the public market places on which the stock of "Mammoth" is dealt, and other safeguards contained in the Act (and in the Securities Exchange Act of 1934) prohibit any market manipulation not blessed by the label of "stabilization." The stock is sold and listed on the major exchanges, but for a year after the sale it must be accompanied (in theory) by a copy of the prospectus. As a practical matter, a few copies of the prospectus are filed with the Exchange, and there the matter rests. Actually the new stock gets hopelessly mixed up with the stock already outstanding, so that the distribution of prospectuses three months after the original offering becomes an idle requirement. The cost to the company for this relatively useless paper chase will certainly exceed $50,000.

The Case of the "Get Rich Quick" Promoter

At the other end of the financial spectrum we have the "Fly-by-Night Oil Company" which is floating a million dollars' worth of securities under the imaginative control of Messrs. "Doe and Roe,"

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The State of Trade and Industry

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

Recovery marked the tone of over-all industrial production for the period ended on Wednesday of last week. The improvement was noticeable when compared with the reduced level of output for the prior week, since many plants resumed operations in the latest week following the customary summer vacations.

Aggregate output continued to be moderately higher than the comparable 1952 level. Electric power production, held close to the record set two weeks ago and was unusually high for this season. The output of gasoline also reached a new record level.

Steel production's actual output last week was placed at 94.7% of capacity, but was substantially above a year ago, since the work stoppage was still on at that time. Automobile production rose 4% above the previous week and was greatly in excess of the total of a year ago, due to the steel strike.

Industrial production in the second quarter rose above the January-March level both in dollar and physical volume. For the first half of the year, the United States Department of Commerce reported, output of major consumer durable goods was 40% higher than in the like 1952 period. This overall gain took place despite temporary work stoppages in the second quarter which affected the flow of parts to automotive assembly lines and led to cutbacks in other fields, notably household appliances.

The survey was not without some indications that the business boom was lagging a bit in some sectors. It noted that although total personal income was at a new high in the second quarter, agricultural income was "lowered by a further decline in farm prices." It pointed out that the demand-supply situation for consumer durables, other than automobiles, has been "less favorable than for most of the other major sectors of the economy."

Delinquencies in consumer credit displayed improvement in May, the American Bankers Association's survey reveals. This was especially true, it noted, in the fields of personal loans. Federal Housing Administration Title I and direct automobile loans. However, home-appliance and auto-dealer loans were slightly higher. Collections on property improvement advances also slowed down somewhat, compared with the preceding year. An interesting sidelight is that the improvements in personal loans and F. H. A. title loans were accomplished again, as in the previous month, in the face of very substantial gains in amounts outstanding in each classification as estimated by the Federal Reserve Board.

Steel business looks good for the rest of this year at the rate orders are being booked, states "The Iron Age," national metalworking weekly, this week. The only thing that could make it fall on its face would be an epidemic of cancellations. That could still happen, but it isn't being expected as loudly as it was a few weeks ago, it further states.

Consumers, it adds, are still very active in the market, so much so, that they continue to amaze producers with the persistence of their demand.

It seems certain that fourth quarter order books on most major products will be filled with a minimum of time and trouble, since consumers plan to use the steel to support production schedules and to rebuild and balance their inventories, this trade authority notes.

There will be heavy carryovers of undelivered third quarter orders going into the fourth quarter. This applies to most flat-rolled products, especially sheets; large sized bars, both carbon and alloy; and some sizes of plates and structurals, this trade weekly discloses, adding, the bloom is definitely fading from premium priced steel. Conversion offers, it states, attract little attention and most high cost producers charging premium prices for their products have declined risking a price increase. The result is that their premiums over regular mill prices have been shaved, and their prices are more nearly competitive, observes this trade journal.

Warehouses, too, it points out, report sales have slowed from the feverish pace of a few months ago. However, their inventories are still unbalanced and they would like to get more tonnage of popular items for the mills. Much depends on what happens to the auto industry during the later part of the year, concludes "The Iron Age."

The automotive industry's 1953 output by late July should pass the 4,337,458 cars made in all last year, according to "Ward's Automotive Reports."

There were 139,249 cars built last week, compared with 133,187 the week before, "Ward's" said. A year ago, because of the steel strike, the week's production was only 23,021.

Thus far this year 3,621,036 cars have been assembled, compared with 2,313,997 a year ago.

Last week's 4% gain over the previous week, "Ward's" added, was caused by overtime work at 14 of the 16 Ford plants, continued high output by General Motors and sharp gains by Packard and Studebaker.

There have been 695,279 trucks made this year, against 665,558 in the like 1952 period, but "Ward's" doubts this year's output will touch the 1,218,392 of 1952.

June building permit values, although down slightly from the preceding month, remained above the year-ago level for the eighth successive month. Last month's total for 215 cities including New York came to $455,238,197. This was up 17.9% over the $386,268,442 in June, 1952, but it was 1.9% less than the May sum of $464,085,606, according to Dun & Bradstreet, Inc.

For New York City alone, building plans filed during June called for an expenditure of $43,264,650, or 18.8% above June a

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Tito's Economic Cocktail

By A. WILFRED MAY

Mr. May from survey in Yugoslavia specifies the economy's numerous aspects which are anti-capitalist and anti-free market. Reports that institutions of so-called profits, interest and taxes are used as instruments of socialist planning. Maintains despite gestures toward permitting individuals' decisions in free market and de-nationalization and de-centralization, the system essentially is socialist.

Part II of a Series on Yugoslav's Domestic Economy.

BELGRADE, YUGOSLAVIA — In last week's article we cited numerous devices borrowed from the capitalistic market economy (including the sharing of "profits"), which followed disillusionment over the production failures and the confusion ensuing from the preceding highly authoritarian and centralized bureaucracy. We now point out some of the economy's potent aspects that are subverting these well-advertised free market moves.

A. Wilfred May

Private Ownership Still Missing

In the first place, despite all the *folderol* regarding freedom in producing, pricing, and profit-ing in the industrial sector; there is still no private ownership of property. The individual simply possesses no freedom to do what he wants to with individual capital. Absentee private ownership is barred. The newly-constituted industrial enterprises are actually owned by the State, the workers and worker-managers being defined as "quasi-autonomous trustees of state-owned capital equipment." The distribution of the glorified "profits" is really only a wage bonus. Moreover, a director is appointed by the state "to protect the interest of society against the interest of the enterprise."

The *de-nationalization* which has been effected actually is only *de-centralization* of management from the centralized bureaucracy downward, with the workers having some managerial participation. The de-nationalization is not de-socialization. Since reward is correlated with effort in lieu of need the system is essentially socialist rather than communist—such socialist characterization being valid despite the existence of the workers' say about management and "profit" cut.

Tito's Retention of Power

Moreover, even after all the steps toward decentralization, it cannot be overlooked that "the boss," Marshal Tito, still retains no fewer than five important offices, namely:—President of the Federal Peoples' Republic, President of the Federal Executive Council, Secretary of the Executive Committee of the Communist League, President of the Socialist Alliance of the Working Peoples (the only political organization in the country), and the Commander-in-chief of the Armed Forces.

In the formulation of the state's planning under the "new rules" an important say has been given to parliamentary committees. On this legislative level, the workers have a big say—at least theoretically—in deciding on all matters ranging from export and import controls, to the method of distributing gross earnings between profits, taxes and wages. Although the workers have some representation on these legislative committees, creating a degree of democracy, still the business decisions clearly are not made by the market.

Direction from the Top Down

The absence of free market capitalism is specifically observable in the ways in which new businesses are started. For they all stem from government direction. The visiting Mrs. Roosevelt in an interview from Ljublana this week, although endorsing with her guests' proclaimed ethical superiority of the Socialist over the Soviet-style Communist countries nevertheless recognized that "what happens in America comes from the people up, and here what happens comes from the top down."

In the inauguration of a new enterprise the initiative is perhaps taken by an existing collective wanting to expand production of a new product. For this the permission of the local authorities must be procured. Or sometimes a new plant is erected by the local city managers acting for the municipality; using the municipality's funds, or funds borrowed from the national bank. Or perhaps one of the republican governments (as Serbia or Croatia) may decide that it needs a plant, and appropriates the necessary money from its own funds. Or the Federal government may stimulate the idea that a new plant is needed; and appoint a subcommittee to get it started. After the plant has been built, workers are called in, and ele t the staff. The managers are ostensibly selected by the workers, over whom there is an important director designated by the government and/or the Communist party.

Capital Dispenser Takes Cue from Government

The necessary financing gets started either by appropriation of existing enterprises' reserves; or by existing enterprises' getting new credits; or by the municipalities, the republican governments or the Federal Government using their own funds or getting credits.

To the extent that the government agencies or the industries do not have sufficient funds on hand, necessary financing is secured by application to the national bank, which has the full power of decision. The bank's policy is guided to an important degree by the long-term planning of the Federal Government.

In 1946 all important businesses were nationalized by the Moscow-type Communist regime. Under the direction of a state manager, they were owned and run by the State. Then in the reforms of 1951, a law was passed giving the administration of the plants over to the workers and their elected organs, which became effective in 1952 when state control was abolished. So industry has slid from Communist nationalization to socialization.

Responsibility and the "Bankruptcy" Question

Similar emasculation of the free market processes, or at least of socialistic confusion, is seen in the tests of, and attaching of responsibility for, business failure. In case of "criminal" negligence being a possible cause, the managers are tried in the courts. Also is it definitely established that the state will not allow bankruptcy to occur where in its judgment the business can be rehabilitated or where the discontinuance of the enterprise conflicts with the community's needs. Despite haziness manifested in the official reaction to bankruptcy policy, and the impression that it will remain largely discretionary, it can certainly be concluded that in any event in Yugoslavia the decision whether to continue or terminate a business does not depend on credit-worthiness or other objective market test.

Similarly, taxation is distorted (even more than in capitalist countries) to function as an instrument of planning and control.

Taxation levied on industry is deemed a "social contribution." It is an instrument of planning, via the control of consumption and prices. Taxation of industry varies from industry to industry, and from enterprise to enterprise (obsolete plants being favored).

Formerly, the taxes had been levied and collected by the

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A Canadian Views United States-Canadian Interrelations

By STUART ARMOUR*
Economic Adviser to President
The Steel Company of Canada, Ltd.

In reviewing progress, particularly in steel output, of U. S. and Canada, Mr. Armour notes Canada is only about two-thirds proportionately as productive as U. S. Says efforts to keep pace with us "sets up social stresses in Canada," and warns against thinking Canada is a U. S. satrapy. Points out high taxation in both countries may mean "taxing ourselves into helots" and "sham of state welfare has been possible only through taking from highly productive Peter to give to less productive Paul."

Some of you probably still think of Canada in terms of a fringe of people along the International Boundary. That is no longer true. Thanks to air transport of a character quite unknown in these United States, we now have flourishing communities 600 miles north of the International Boundary.

Stuart Armour

The English version of our national motto is "From sea to sea." It is taken from that section of the 72nd Psalm which reads: "And He shall have Dominion from sea to sea and from the river unto the ends of the earth." From sea to sea and from the St. Lawrence valley clear up to the North Pole, we Canadians are moving mountains, draining lakes, driving tunnels of incredible size and length, building airfields and highways and dams and railways and townsites, opening mines, and creating, in the face of immense difficulties of climate and terrain, a whole new civilization where the wolf and the moose have long held sway. It is not recorded by history that any other nation of less than 15 million people ever accomplished so much so quickly.

Most of you are probably aware of the enormous influx of United States and other venture capital into Canada since the end of World War II. What you may not realize is that 85% or 90% of our postwar resource and other industrial development has been financed from Canadian sources. In each of the past five years we have ploughed back 20% or more of our national production into capital expansion. Last year the percentage of Gross National Product ploughed back was 23%, and it promises to be as large in 1953. According to those who should know, the percentage of national product ploughed back by Canada over the past five years constitutes a record unequalled in history. In current dollar terms, the amount invested in resources and other development was about $5,300 million last year and will be about the same in this.

Fifty-three hundred million dollars, or $5.3 billion if you prefer that way of stating it, is still a very great deal of money anywhere in the world. A country, comparatively small in numbers, which can invest such a considerable sum, not for one year only but for five years consecutively, need harbor no inferiority complex, even if it does live under the shadow of the colossus of the western world.

Still Plenty of Work Ahead

In spite of what we have already done and are doing, there still remains plenty of work ahead. We possess the third largest area in the world, being exceeded only by Russia and China. Yet our overall population density is only four per square mile. However, it is indicative of our recent growth that in the area between Niagara Falls and Oshawa our population density of 180 per square mile is now as great as in such United States regions as Connecticut, Northern New York, Southeastern New Jersey, and Southeastern Pennsylvania. Percentagewise, our population growth since the end of World War II has been greater than your own. Our degree of urbanization is not yet as great as in the United States, but, particularly in Quebec, Ontario, and B. C., it is increasing rapidly.

We still derive more than one-fifth of our national income from the export of goods. This is by far the most salient factor in our economic situation. No other country with a standard of living even remotely approaching our own finds itself in that peculiar position.

Because we derive a fifth of our national income from exports of goods, we are always very much at the mercy of world conditions. Or to put it in fancier language, we are only to a limited extent masters of our own economic destiny.

The second fact of economic importance is that for a great variety of good reasons, the production of the Canadian economy overall, when put upon a per capita basis, is only about two-thirds that of the United States.

U. S. Proportionately Predominant In Steel Production

While your population is now about eleven times as large as that of Canada, your steel industry, for instance, will outproduce our own this year by more than 26 times. This disparity will exist in face of the fact that percentagewise, Canadian steel production has risen faster than your own in the past five years. We are now the seventh steel producer in the world on the basis of total tonnage, ranking after the United States, the U. S. S. R., Britain, Germany, Belgium, and Luxembourg. On a per capita basis, we are now the world's second largest consumer of steel, a place long held by Britain.

Hamilton Works of my own company now produces 1,900,000 tons of steel, the same as the planned production of the great Fairless Works. Our Stelco Hamilton Works has an annual capacity about twice that of our nearest competitor, and is thus by far the largest producer in Canada. There are four basic steel producers in Canada ranking in the following order of size: Stelco, Algoma, Dosco, and Dofasco. Together we will produce in 1953 a total of 4.5 million ingot tons, as compared with your 120 million.

What is true of steel production in our two countries is also true of many other things as well. We are a far-scattered people charged by Providence with the custody and development of immense resources necessary for the progress of all mankind. But, as a nation, we are still in our formative stage, and it is manifestly unfair to expect us with a population of about 15 million to accomplish overnight what has taken larger countries years or decades or centuries to achieve.

Under Continuous Social Pressure From U. S.

The third factor in our unique situation is that we live under continuous and enormous social pressure from the United States. Every day—and nearly all day and through most of the night—we listen to your radio; look at your television shows; read your magazines; and travel in your country. Last year Canadians spent $66 million more in the United States than visitors from the United States spent in Canada. When you compare the respective size of our two countries, that difference assumes very considerable proportions.

So whether we like it or not, we are forced by social pressure to keep our way of life close to your own, yet we are only about two-thirds as productive, and one-eleventh your size in numbers. As you can appreciate, all those factors create a national problem for our politicians, and many a headache for the businessman. They also make it necessary for Canadians to try to understand you, and that very often is by no means easy. Sometimes we wonder who runs what and where you are headed. Because you are bound to drag us along with you, that last question particularly frightens as well as interests us.

Keeping Pace with U. S.

You can understand that the effort to keep pace with you sets up social stresses that sometimes call into being some pretty cockeyed political actions in an attempt to meet the situation which propinquity creates.

Admittedly, very little if any of our system of social legislation —described by our Minister of Welfare as the most elaborate in the world—can be directly traced to your social pressure upon us. Nevertheless, the existence of that pressure for economic and social equality in the face of a very different basic economy is amongst the forces, which, however unconsciously, often make us do things which are not in keeping with the economic facts by which we must live.

That sounds complicated, and it is complicated. Moreover, the desire to do things socially which are not in keeping with our economic circumstances receives powerful impetus from Great Britain, one of our two mother countries. Our ties with Britain are many and strong; and her example has influenced us in a great many different ways.

Yet we are a completely independent and fully sovereign nation. True we boast a Queen who lives most of her time in

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*An address by Mr. Armour before the Kiwanis Club, Youngstown, Ohio.

The Creation and Promotion Of Foreign Markets

By HAROLD D. ARNESON*
President and General Manager
Abbott Laboratories International Co.

Pharmaceutical export executive discusses formulation of policies for the creation of foreign markets and the means of appraising potential markets, together with an analysis of risks involved. Lists objectives of foreign markets, and points out obstacles and hazards in expanding present day foreign trade. Holds present export situation of U. S. is not as attractive as three or four years ago, and stresses value of foreign trade research in determining export potentials.

With less academic elegance, but perhaps with greater clarity, I think my subject can be put in the form of three questions:

First, why should anybody want to go into the export business anyhow?

How should he go about it? And finally. . .

How long before he loses his shirt?

Harold D. Arneson

Let's take them up in order.

First, why should Company X, manufacturer, decide to go into foreign markets? Why should its top management voluntarily, with eyes open, take on the tremendously complex, unpredictable and financially dangerous problems of an export operation?

"Why," some unreconstructed Member of its Board may ask, "should we deliberately become involved in a business where we know we'll be dealing with dozens of sovereign governments, when it's all we can do to get along with just the one we've already got?"

Objectives of Foreign Markets

In all seriousness, I think any management should look to foreign markets when it can honestly claim one or more of the following objectives:

To dispose of production which is in excess of domestic requirements.

To use idle production capacity.

To find new outlets when there is no more room for growth at home.

To increase production and thereby decrease domestic costs.

To provide stability for the business as a whole.

And to these standard prerequisites, I would add, with special urgency, another: that any company stay out of the export business unless prepared to enter it for keeps—with a long-range program and the courage to push it through even in the face of temporary adversity.

If we assume that the Directors of Company X make the first decision—to open up foreign markets—what are the factors which they should consider in formulating their basic export policy?

I submit they will do well to remember that many of the problems facing us never existed before. England, the largest producer of capital goods in the 19th century, was able to expand its foreign investments in a relatively peaceful world where investments were to a large extent safe from communism, revolution, nationalization, hostile labor or government, and the like.

During the period of expansion of British investments abroad, England needed to import products from the countries in which investments were made: investments in Canadian industries were compensated by imports of Canadian wheat; Egyptian and Indian railroads were paid for by cotton; Argentine utilities by beef. By exporting their products to England, other countries were able to earn the pounds sterling necessary to repay British investors.

In contrast to conditions which facilitated British investments until the beginning of World War I, the American investor now faces a very difficult situation.

The political climate in some countries is unfavorable to the U. S. investor.

The U. S. has a limited need for foreign goods, consequently foreign countries find it difficult to earn the dollars with which the U. S. investor wants to be repaid.

These hazards of export are over and above the ordinary risks encountered by business at home and they are dependent upon circumstances which no private investor can control.

On a somewhat lower and more work-a-day level there are problems of export which can be handled, but only by alert and knowledgeable managements.

For example, there is the matter of competition. Today, buyers abroad have a wide selection from competitive American products; they also benefit from increasing supply of similar goods from other areas such as Japan, England and Germany. Local manufacturers also are more and more able to meet their countries' requirements.

It is highly desirable that the U. S. businessman be able to forecast the economic growth of his foreign markets. In South America, as well as in many Asiatic and Middle Eastern countries, rapid industrial growth is changing the economy. More jobs are offered, discretionary spending—over and above mere subsistence—increases and spreads to new population groups. All this means greater demand for more and better goods.

Also, just the growth of population alone sometimes—though not always—points to increased market potential.

I think it is only fair to warn the Directors of our imaginary Company X that in general the export situation is not as attractive now as it was three or four years ago. Nevertheless, the difficulties are not insurmountable, and the profitable experience of many American firms operating abroad—as demonstrated in their Annual Reports to Stockholders—proves that sensible policies, courage, sound business methods and painstaking effort can be rewarding.

Finally, any discussion of basic policies should not overlook their broader political and social implications. Consider for a moment the effect abroad of U. S. investment and trade; new jobs created; larger volume of consumer goods; lower prices; rising standards of living. These are the really effective answers to the Communist threat to American enterprise and to our security as a nation. These are matters which though far removed from the Consolidated Balance Sheet nevertheless deserve the very best thinking which pa-

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*An address by Mr. Arneson at the Institute of International Trade Meeting Monticello, Ill., July 13, 1953.

Dealer-Broker Investment Recommendations & Literature

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

American Business — Survey in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a list of "Dollars at a Discount" shares a brief analysis of **Aircraft Manufacturers**, and a list of "Sheltered" Stocks.

Banks and Trust Companies of New York—85th consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Deflated Stocks—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

New York City Bank Stocks—Comparative figures at June 30, 1953—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis of 17 issues as of June 30, 1953—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Northern New Jersey Banks — Current report — Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

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

Should a Stock Exchange Member Firm Incorporate?—Proceedings of a Pace College Tax Forum—Pace College, 41 Park Row, New York 38, N. Y.

* * *

Acadia Atlantic Sugar—Memorandum—Gairdner & Co., 320 Bay Street, Toronto, Ont., Canada.

Algoma Central — Memorandum — Intercity Securities Corp., 330 Bay Street, Toronto, Ont., Canada.

Alleghany Corporation — Circular — Hardy & Co., 30 Broad Street, New York 4, N. Y.

Allied Paper Mills—Data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Bank of America—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Barnat Mine Ltd.—Memorandum—G. E. Leslie & Co., Royal Bank Building, Montreal, Que., Canada.

Bethlehem Steel—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is an analysis of **Republic Steel.**

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

Blaw-Knox Company—Analysis—Walston & Co., 265 Montgomery Street, San Francisco 4, Calif. Also available is an analysis of **Stromberg Carlson Co.**

Canadian Javelin Foundries & Machine Works Ltd.—Memorandum—L. J. Forget & Co., 473 St. Francois-Xavier Street, Montreal, Que., Canada.

Canadian Pacific Railway—Memorandum—Major & Co., Royal Bank Building, Montreal, Que., Canada.

Cincinnati Transit Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Davidson Oils Ltd.—Memorandum—Doherty Roadhouse & Co., 225 Bay Street, Toronto, Ont., Canada.

Farrington Manufacturing Co.—Memorandum—John C. Legg & Company, 22 Light Street, Baltimore 3, Md.

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NSTA Notes

AD LIBBING

Your 1953 NSTA Advertising Committee has been organized and reports are now reaching us here.

Earl L. Hagensieker of Reinholdt & Gardner, St. Louis, has advised us he is aiding Herb Roach, O. H. Wibbing & Co., who is on vacation and adds the ammunition sent them in the form of promotional material will help a great deal.

Harold B. Smith

Sid Sanders of Foster & Marshall, Seattle, has requested additional copies of the material which indicates Sid's interest again in going all out for our Convention issue.

K. I. M. corporation advertising and the special deal made by your National Executive Committee to all affiliates (there's gold in them thar hills, podner). Contact your local Chairmen and offer them your cooperation in securing an ad from the corporations you are close to. Such contacts can fully recognize the value of public relations to dealers.

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

TWIN CITY SECURITY TRADERS ASSOCIATION

The Twin City Security Traders Association invites all traders and representatives to attend the Annual Golf Tournament and Field Day at North Oaks Country Club, St. Paul on Wednesday, Aug. 19, 1953.

The Arrangements Committee consists of George MacDonald, Al Grun, Henry Hennings, Joe Mahoney and Kermit Sorum. Rooms have been set aside at the Nicollet Hotel.

Please contact George MacDonald, Investment Department, First National Bank, Minneapolis, Minn.

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The Creation and Promotion Of Foreign Markets

triotic management can bring to bear.

So much for high-echelon policy.

How and Where to Get Into Foreign Trade

The possible answers to our second question of how and where to get into foreign trade are of course known to you all:

The directors of Company X—or of any other company—can retain a professional commission agent or combination man.

They can sign up distributors or they can establish their own branches.

They can export finished products or they can manufacture abroad.

They can send out men from the home office or they can employ nationals.

They can use their own money or they can seek local capital.

Whichever course is selected, I would urge that any organization entering foreign markets for the first time hire its own export manager and give him all the support he needs to do his job. There is scant profit—and great potential loss—in any company policy which treats the export operation as an orphan.

Now as to which markets, specifically, should be entered, that must be decided in the light of many things. I don't believe it would be advisable for me, here, to tell you by name the countries of the world which I consider to be good trade prospects, but perhaps you will be interested in knowing, in general terms, how the firm which I represent likes to size up a market:

Our cardinal rule is for one or more of our own executives to make a field study. We find that there is no substitute for this. Of course, we seek all the outside advice we can—from bankers and lawyers — from government bureaus and from chambers of commerce — from trade sources and from private market research. But nothing can take the place of an on-the-spot study. I don't think it will hurt the feelings of anyone here to point out that even in the case of the big international organizations—such as banks or accountants—a talk with their local man in a country will produce better information than can be obtained from their foreign desk in New York or Chicago headquarters.

Another tip: if your firm is incorporated in one of the other great trading nations, you are entitled to and can get advice from the local commercial attaches of that nation—advice which sometimes is interestingly at variance with that which you'll pick up at the U. S. consulate.

In selecting markets and in formulating methods for best approaching them, it is well to remember that the only thing we can be certain of is change. Changes have been taking place here since the birth of our own nation—in recent years at a tremendously accelerated rate.

This same is true of many foreign countries. In Mexico and Venezuela — to cite just two of many possible examples—the extent and speed of the revolution from old methods to ultra-modern techniques has been awe-inspiring.

The impact of modern manufacturing and merchandising methods varies with the countries, the business groups, and the individual business concerned. In contrast to the spectacular changes which have taken place in some areas, others still use the antiquated business methods of 30 or 40 years ago.

Within a country itself, changes may have affected only certain areas or population groups and by-passed others. The most modern department stores, operated after U. S. pattern, recently have been established successfully in some countries where the general level of business practice is backward, by U. S. standards. Obviously these alterations in the character of individual markets demand prompt revision of merchandising techniques, tailored to capitalize promptly on ever-changing local conditions.

It is well, too, that you consider important social and economic changes affecting racial groups. In many countries, the gap which once existed between the purchasing power of Native and European workers is diminishing. The same is true between other racial groups and classes. Entirely apart from the moral factors implicit in such change is the fact that as better standards of living are enjoyed by more people, opportunities are created for new markets.

Risks of Foreign Trade

The last of our three questions pertains to the risks of foreign trade. They're there. Always have been; always will be. But so are the rewards.

Probably the risks aren't as great as they were back in the hey-day of Venice, when, I'm told, a merchant was in imminent danger of vivisection if his ship didn't come in.

Nor are the rewards as great as 100 years ago or so when many New England shipowners confidently expected to recover their full investment on every voyage.

I see little profit in here discussing the classic risks of all export operations—for such perennial headaches as exchange restrictions, repatriation of capital, nationalism and nationalization, government guarantees and the like will be treated by other speakers.

However, I would like to discuss certain less obvious risks which though lacking the glamor of international politics are nevertheless very real to many of us.

High on my list is the risk of being misled by the self-appointed "expert" or "consultant."

Make no mistake, I do not belittle the professional who is equipped by training and experience. But I warn you that very few consultants are qualified to make a reliable and useful analysis of a foreign market. Their statements or recommendations are likely to be too general, or they are not sufficiently cognizant of the many intricate problems and objectives.

Before he retains a consultant, the U. S. trader or investor should require a list of the consultant's clients and of the jobs he has performed for them. The consultant's background should be investigated, particularly to determine if he is competent in the particular country involved. He should be told exactly what is wanted from him.

The analysis of a foreign market must be adequate to meet an immediate and specific need, whatever it might be, and done with honest open-mindedness. It often fails because the job is done with the idea of supporting an already-formed opinion.

Another danger, especially for the small organization, is in accepting too readily advice which comes from the analyst whose prime interest is not that of the exporter but rather of some third party. Admittedly, information from such a source can be used to supplement that garnered elsewhere; my only point being that the prudent exporter should consider the possibility of self-interest on the part of his would-be adviser.

Also, it is risky to be guided by your foreign salesmen or distributors, for usually they are not objective reporters. They tend to be too optimistic when times are good and too pessimistic when they are bad. And they seem to be afraid that unfavorable reports may prejudice sales management against them.

Another risk rests in the fact that too often, the American businessman or investor studying a foreign market will overestimate the percentage of people who:

(a) Will understand the virtues of his product.
(b) Will believe the claims made for it.
(c) Will use the product.

At the same time, he tends to underestimate:

(a) The importance of local competitors as a sales obstacle.
(b) The virtues of foreign competitors' policies.
(c) The amount of time and money it takes to get accurate, useful information.

We must be prepared to accept that the percentage of error in executive judgment on marketing questions is higher when applied to foreign countries than it is for the United States. Sound analysis of the foreign market, and facts, rather than opinions or guesses, will mean useful, profitable results. Unfortunately, too many American manufacturers and exporters are bound by habits and methods which have proved successful in the United States and are ingrained in their procedure and organization.

In foreign countries, just as in the States, markets are people. It is important to know why they buy a product, why they use it. Even more important, why they do not buy something else. This is the most difficult of all types of marketing research, but it can be one of the most profitable.

In conclusion, I remind you that American products have become widely known throughout the world. In most foreign markets, "Made in U. S. A." is recognized as a mark of quality. U. S. know-how, technology and methods of production are respected everywhere. Our mass production methods enable American manufacturers to compete with foreign industries which frequently have the advantage of lower tax, labor and transportation costs.

There are many problems involved in the creation and development of markets abroad. In spite of them, thorough analysis of potential foreign markets and proper evaluation of risks can be made and used effectively to help the American investor or the manufacturer-exporter with foreign operations.

Painstaking and aggressive efforts toward creating and maintaining markets abroad can be rewarding. American business should be able to use its most vital tools in this undertaking: sound, accurate appraisal of the markets, of the risks involved, and of the short-term and the long-term potential sales volume.

Joins Barrington Inv.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Royal F. Paquette is now associated with Barrington Investments, 390 Main Street.

H. O. Peet Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—James R. Nugen is now with H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges. In the past he was with Herrick, Waddell & Reed, Inc.

Joins Olson, Donnerberg

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John H. Wessels is now with Olson, Donnerberg & Co., Inc., 509 Olive Street. He was formerly with Slayton & Co., Inc.

From Washington Ahead of the News

By CARLISLE BARGERON

The story around Washington for weeks, a story, in fact, that has been fairly well printed throughout the country, is that the Eisenhower Administration was anxious for Congress to go home, regardless of the state of its affairs, in order that the Administration could get its breath and come up with a program for next year. It is a fact that when Congress is in session the heads of the executive departments have to spend so much time appearing before Congressional committees that they have little time for anything else.

Carlisle Bargeron

But the impression that the Administration really wanted the legislative body to go home and leave it to get its collective bearings must have been wholly wrong. After Monday's session of the White House and the legislative leaders, the inescapable conclusion is that the White House wants the Congress to stay here throughout the summer and fall.

At this Monday's session a program was agreed upon, at White House insistence, which must be enacted before Congress can quit. Two of the items would keep Congress here for three months at least. One is the President's request for legislation to permit the entry of some 250,000 additional displaced persons. This has run up against a hard core of opposition in the Senate and its consideration there would require several days at the least. It might, in fact, run into a filibuster. It is conceivable, though, that the President could get this legislation enacted within two or three weeks, but not in time for Congress to quit on July 31 as had been planned. That date for adjournment, in fact, was abandoned overnight after the White House meeting.

Another measure, however, that would likely hold up adjournment indefinitely, is that providing for an increase in postal rates.

There is a question on this as to whether the President is not being unreasonable. It was only a week or so ago that there was any suggestion of a postal increase. Out of a clear blue sky Postmaster General Summerfield, who is bent upon putting the postal service on a "business" basis—something I have heard every postmaster general for 30 years talk about but never seriously attempt—presented it to Congress and demanded action now.

At this late date, Mr. Summerfield has come up with a proposition to increase postal rates by $240,000,000. First class postage would be upped by one cent, air mail increased to seven cents and the second class rates boosted accordingly. This would still leave a deficit of $260,000,000.

It isn't the point, however, of the postal rates not being increased but Mr. Summerfield's insistence that a measure of this importance and sweeping character should be passed forthwith this late in the session. It also affords an interesting look into the workings of the mind of a "businessman" in government. The Post Office Department isn't paying its way as was the Chevrolet business in which Mr. Summerfield was engaged. Therefore, what do you do? Cut the costs and raise the price. Mr. Summerfield has been working heroically to cut down the overhead which is commendable. Now he wants to increase the price which is highly controversial and deserves considerable study. Should the increase be effected, it is difficult to see just what Mr. Summerfield's accomplishment would be. It would be purely a personal one. The taxpayers have got to pay for the Post Office Department, either in taxes or in payments for the services it not only renders to them but to the government, and the air mail subsidies. In this instance, the Postmaster General doesn't make a proposition that for the increased postage rates they will be given an equivalent reduction in taxes.

On this business of taxes, the Republicans thus far are showing what in my opinion and in the opinion of a number of political experts, is a complete political callousness. They came in on the promise to reduce the cost of government and taxes. No one could fairly expect them to have made much headway on the cost of government so soon but what they have done is to increase the cost of money, increase taxes through the revival of the expiring Excess Profits Tax and now they attempt to increase the cost of postage.

Mr. Summerfield's determination to get his postal increase at this session is based upon the theory that the people will have forgotten about it by the time next year's elections come around. It is my prediction, however, that the Congress will be here several weeks before it is passed.

With Barrow, Leary

(Special to The Financial Chronicle)

SHREVEPORT, La. — Jack E. McLean is with Barrow Leary & Co., 515 Market Street.

With H. P. Wood Co.

(Special to The Financial Chronicle)

PORTER, Maine — Robert B. Chilton is connected with H. P. Wood & Company of Boston.

Missouri Brevities

At a special meeting to be held in Joplin, Mo., on Aug. 20, stockholders of **Thurston Chemical Co.** will consider proposed sale of the company to **W. R. Grace & Co.** Directors of Thurston called the meeting after a favorable tax ruling had been obtained from the Internal Revenue Deparement. Terms of sale call for redemption of Thurston's outstanding 40,000 shares of preferred stock at $26.25 per share, plus accrued dividends, and the issuance of 45/100 share of Grace common for each of the 200,000 common shares of Thurston. The preferred is convertible into common on the basis of one preferred for two common and the preferred holders have the privilege to exercise the exchange right to the time of redemption.

* * *

An issue of $3,000,000 4¼% first mortgage 30-year bonds, series G, due July 1, 1983, of **Western Light & Telephone Co., Inc.**, was offered publicly on July 21 at 100 and accrued interest. This company is engaged principally in supplying electric service in portions of Kansas and telephone service in portions of Iowa, Kansas, Missouri and Oklahoma. This financing, together with the recent sale of convertible preferred stock for about $1,800,000, will provide funds needed for its expansion program through 1953.

Of the 78,202 shares of Western Light & Telephone Co., Inc. 5½% convertible preferred stock recently offered to its common stockholders of record June 17 at $25 per share on a 1-for-5 basis, 58,790 shares were subscribed for and the remaining 19,412 shares were sold on July 2 by the underwriting syndicate headed by Harris, Hall & Co. (Inc.), and including, among others, **Uhlmann & Latshaw, Inc.**, Kansas City, Mo., at $25.37½ per share. Subscription rights expired on June 30.

* * *

Drought conditions in the Southwest, where **Gleaner Harvester Corporation** normally sells 70% of its production, cut crop output this year and consequently reduced the demand for farm equipment. The lower prices for grains and unprofitable livestock operations also contributed to the unsatisfactory movement of machines to the wheat belt this year.

Net earnings for the nine months ended June 30 were less than half the amount reported a year before, according to George Reuland, President. Sales were down substantially, he added.

For the nine-month period, net income was $359,092, equal to 90 cents a share on the outstanding common stock, compared with $819,035, or $2.05 a share, a year earlier.

Sales were $3,499,332, compared with $5,603,863. Cost of sales was $2,360,792, against $3,565,976. Income taxes amounted to $387,250, against $881,800.

The company's best quarter normally is the three months ended June 30 and in that period the net earnings were $162,690, or 40 cents a share on the common stock. In the like 1952 period earnings for the third quarter were $494,416, or $1.23 a share.

The company's fabricating operation still is at capacity but the assembly line is down to less than half of capacity. The company is uncertain at this time as to the number of machines required for the Canadian and Pacific Northwest area where the movement begins in August and September.

* * *

Sales of **Cook Paint and Varnish Company** for the three months ended May 31—the second quarter of its fiscal year—amounted to $9,463,776, compared with $9,000,-523 a year earlier. For the first six months of the fiscal year volume was $16,897,363, compared with $16,419,254 a year earlier.

Of the $478,109 increased volume for the six-month period, $463,252 came in the second quarter. Currently volume is running at about the same levels as a year ago.

* * *

Directors of **American Service Company** have authorized the deposit of $151,136 in a retirement fund for the purchase of preferred stock. Tenders will be received at the First National Bank of Atlanta until Aug. 12.

The funds are part of the proceeds received from the sale of properties since March 31, 1952. The balance of the proceeds, amounting to $141,690, less capital gains tax on sales made in 1953, will be temporarily retained by the company as working capital.

In event the company is able to purchase its preferred stock in the open market at a price lower than offers from stockholders, it will do so, according to H. T. Kraft, Secretary.

* * *

Western Auto Supply Company reported sales in June and for the first half of 1953 were the largest ever for any like period.

The growth in the wholesale division, which now serves 2,787 stores, compared with 2,670 stores a year earlier, was credited with a larger share of the sales gain this year. In June, wholesale volume rose $1,945,000 over a year ago, while the retail sales were up only $4,000. For the six-month period, the wholesale gain was $6,037,000, and the retail gain was $5,354,000.

Aggregate sales for June were $17,946,000 compared with $15,-997,000 a year earlier, an increase of $12.2%.

For the first half of the year, dollar volume was $85,576,000, against $74,185,000 a year earlier, a gain of 15.4%.

* * *

Higher sales and more profitable milk operations provided **American Dairies, Inc.**, with larger earnings in the fiscal year ended March 31 than a year earlier. Dollar volume hit a new high of $23,765,802 compared with $21,392,983 a year earlier. Unit sales also were the greatest ever.

Net profit, after all charges, was $536,062, equal to $4.10 a common share, compared with $454,290, or $3.28 a share, in the previous year.

During the year the company was able to reverse a number of factors which adversely affected earnings in the previous year, P. Reid Oliver, President, said in the annual report. Manufacturing milk operations, which were unsatisfactory in the 1951-1952 fiscal year, showed increased profits and an additional volume of business was reported.

Munro, Erickson Elected By Doremus

William H. Long, Jr., Chairman of the Board of Doremus & Company, 120 Broadway, New York City, advertising and public relations firm, has announced the election of Louis W. Munro, President, and George A. Erickson, Executive Vice-President, both of whom are directors. Mr. Long, who joined the company in 1919 and has been Chairman since 1932 and President and Chairman since 1941, will continue as chief executive and administrative officer of the company, and Walter H. Burnham, Vice-Chairman, who came to Doremus in 1919, continues as vice-chairman. Mr. Munro and Mr. Erickson are located in the company's New York office.


Louis W. Munro


George A. Erickson

Mr. Munro became associated with the company in 1925, and was vice-president in charge of the Boston office until 1941 when he rejoined the Navy. Since his release by the Navy in 1945, he has been in charge of new business in the New York office.

Mr. Erickson joined Doremus & Company in 1934 and has been a vice-president since 1944. He was formerly associated with Stone & Webster Securities Corporation.

La Salle St. Women To Hold Luncheon

CHICAGO, Ill. — A summer luncheon, followed by games and other entertainment, will be held by the La Salle Street Women on Aug. 1. The place is Shady Lane Farm, Marengo, Illinois at 1:00 p.m. Joan Richardson, Glore, Forgan & Co., is President of the organization.

Alexander Mackenzie Joins G. A. Saxton

Alexander Mackenzie, President of Mackenzie & Co., Inc., for 22 years, is now associated with G. A. Saxton & Co., Inc., 70 Pine Street, New York City, security dealer, as a registered representative.

Over-the-Counter Advertising Campaign Provokes Wide Interest

A series of eight advertisements, sponsored by the New York Security Dealers Association, brought approximately 5,000 inquiries and requests for further information. Results indicate a substantial investor interest in over-the-counter securities

A series of eight advertisements on the Over-the-Counter market, sponsored by the New York Security Dealers Association, brought approximately 5,000 inquiries and requests for further information, according to Samuel Weinberg of S. Weinberg & Co., member of the Association's Board of Governors and Chairman of its Publications Committee.


Samuel Weinberg

"The large number of responses received is really phenomenal," Mr. Weinberg said, "when you consider that the ads were only two columns wide by 65 lines deep, and that they appeared only once a week, in the face of a continously declining market when investor interest would be expected to be near a record low."

Said Mr. Weinberg, "It shows a remarkably strong desire on the public's part to be better informed about the organization and mechanics of the Over-the-Counter market and the investment opportunities available among the over 50,000 different security issues annually traded 'Over-the-Counter.' Not only the number of inquiries, but also the people they came from, indicated a substantial investor interest in over-the-counter securities and the many advantages of this type of investment."

Only a few of the responses appeared to be from chronic "coupon clippers," he said, with the great majority obviously from people who sincerely wanted more information. According to Mr. Weinberg, a number of those replying expressed surprise at learning that the Over-the-Counter market is composed of over 2,500 securities houses, extends from coast to coast and handles approximately 16 times the annual volume of securities trading conducted on all U. S. exchanges together.

The advertisements were primarily informative in character, aimed at acquainting the public with various features of the Over-the-Counter market which it was felt might not be generally understood, such as the huge extent of the over-the-counter operation, the fact that "round lots" cost no more to buy or sell than "odd lots," etc. A free 32-page booklet, "Understanding the Over-the-Counter Market," was offered.

The New York Security Dealers Association is the oldest trade organization of over-the-counter firms. It was organized in 1926 by leading over-the-counter brokers, with the avowed purpose of upholding high principles of trade and business ethics. So far as is known, the recent advertising campaign was the first such undertaking by a New York dealer group.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Iowa Southern Utilities—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Jasper Oil—Memorandum—Globe Securities Corp., 751 Victoria Square, Montreal, Que., Canada.

Loew's Inc.—Special Report—Spring, Stewart & Co., 25 Broad Street, New York 4, N. Y.

Louis Allis Company—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are analyses of **Firemen's Insurance Company of Newark, Home Insurance Company, Ray-O-Vac Company, Ed. Schuster & Co., Inc., Wisconsin Electric Power Company,** and **Wisconsin Power & Light Company.**

North American Aviation—Data—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available are brief data on **Simmons Co., Stanley-Warner,** and **Garrett Corporation.**

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

Puget Sound Power & Light—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

Radioactive Products, Inc.—Memorandum—John R. Boland, 30 Broad Street, New York 6, N. Y.

Riverside Cement Company—New analysis (Report C-20)— Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Royal Dutch Petroleum Company—Analysis—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Southern Production Co.—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

United Airlines—Memorandum—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Ute Royalty Corp.—Information—W. D. Nebeker & Co., Pacific National Life Building, Salt Lake City 10, Utah. Also available is information on **Utana Basins Oil** and **English Oil.**

Is There Oil in Florida?

By EDMUND CHARLES DARBOIS
Manager, Investment Advisory Department
Florida Securities Co., St. Petersburg, Fla.

Mr. Darbois gives an affirmative answer to question, "Is There Oil in Florida." Traces drilling developments in Florida since 1900, and points out exploration activities of major and smaller oil companies in that area. Lists beneficiaries of "future oil" in Florida.

Edmund C. Darbois

The occurrence of petroleum has been recorded since the earliest of times. For example, both Herodotus in his "Travels" and Pliny in his "Historia Mundi," describe the early trade in petroleum. Furthermore, it is probable that the Greek Fire which enabled the eastern Roman Empire to repel the attacks of the Scythians and the Saracens had a petroleum base which came from the Baku district. Historically speaking, Medieval Europe was familiar with "Oleum Petrae" or rock oil, as a medicine, and the Far East for many centuries traded in oil from the Burmese seepages at Yenangyaung.

The burner, invented by the Frenchman, Argand in 1784, had shown that oil could be used for lighting, and in England, Dr. James Young produced oil from coal and later from oil shale, both of which he patented. Consequently, under license from Young and from an American, Abraham Gesner, the number of coal and shale distillation plants increased rapidly both in England and the United States.

Since the time petroleum products have become essential in the industrial civilization of the world, oil products are used in one form or another for all machinery and, therefore, the "Machine Age" must also be considered the "Oil Age."

Interestingly enough, oil was not discovered in the United States until 1859. In 1857, however, a group of New Haven men formed the Pennsylvania Rock Oil Co. and upon receiving a favorable opinion from Professor Silliman of Yale on the possibilities of crude petroleum as a source of burning oil, sent Colonel Drake to Pennsylvania to drill the first well for oil on Oil Creek, near Titusville. This well "came in" at a depth of 69 feet on Aug. 27, 1859 and so started the "phenomenal growth" of the Petroleum Industry in the United States.

Oil Industry Today Is Fourth Largest in United States

The Petroleum Industry, based on capital investment, today is the fourth largest in the United States, following agriculture, railroads and the complete public utility field. Furthermore, it is estimated that there are some 5,000 different products now produced with petroleum as a base and currently the United States produces within its borders about 50% of the world's total output of petroleum.

It is also significant to note, that the market value of all oil stocks represents roughly 20% of all listed equities traded on the New York Stock Exchange. Furthermore, since its inception in this country in 1859, petroleum production has increased almost uninterruptedly since then. Of particular significance to investors is the fact that continued "growth" is projected for the Petroleum Industry. Note, the recent report of the "President's Materials Policy Commission" envisaging a 110% increase in use for petroleum by 1975, as compared with 1950.

Oil Was First Drilled in Florida In 1900

The earliest test for oil in the State of Florida was in 1900, at Pensacola, Escambia County. The Escambia Oil Co. drilled to a depth of 1,320 feet at the foot of Palafox Street. However, not being a producer, this "first" well was shortly abandoned. From this early beginning, interest in the possibility of finding oil in Florida blew "hot and cold," particularly the latter, for the next 40 years.

In 1939, the "first" deep well in Florida was drilled to a depth of 10,006 feet by Peninsular Oil & Refining Co. at Pinecrest, Monroe County, in the "Florida Keys." The reason that this well drew such national attention at the time, was not only because of its depth, but more important, because this well terminated in interesting geological formations at a depth of 10,000 feet. Although the well was not a producer, it had shows of oil. For that reason, major oil companies in the United States were "sold" on the idea of the oil potentialities in the peninsula State of Florida.

The year 1939 is, therefore, an appropriate "dividing point" between earlier "hunch" prospecting for oil in Florida based purely on a thought and a promise as compared to present day "scientific" search for oil in Florida by the major oil companies. Obviously, these major oil companies do not spend money idly, and it attests to the geological oil possibilities of the area that these well "informed" oil companies with technical "know-how" could spend millions of dollars in a continued search for new oil reserves in Florida.

On Sept. 26, 1943, Humble Oil & Refining Co. brought in at 11,626 feet the "first" oil well in Florida. Initial production there, in the "Sunniland Field" in Collier County on the western edge of the Everglades, approximately 50 miles west of Miami, was 97 barrels of oil per day. In 1944, the first year of operations, production totaled 11,838 barrels of oil. Currently, there are 11 wells producing, at a rate of nearly 600,000 barrels of oil per year.

Its importance to the State of Florida was far reaching, and many a Florida oil man has felt that a small monument should be placed there on its site. Furthermore, and particularly pertinent, is the fact that at this writing, this is the only oil producing field in the State of Florida.

Florida Oil: "A Glance Back—A Look Ahead"

The search for oil in Florida has come a long way over the past 40 years. Today, Dr. Herman Gunter, Florida State Geologist, has detailed carefully, the structures in the State. Consequently, geophysically speaking, major oil companies are currently exploring three general geologic areas, and two major structural features of Florida's geology.

The three areas are (1) the "Panhandle"; (2) the "Ocala Uplift"; and (3) the "Southern Peninsula"; while the two structures are (1) the "South Florida Basin," and (2) the "Ocala Uplift." In general, the geological characteristics of Florida as an oil area are more likened to Texas, Mexico and the Caribbean oil areas than to the Continental United States. This observation, of course, should be borne in mind when discussing petroleum possibilities in Florida.

The effect of another oil discovery within its boundaries would be electric on the over-all economy, on the State of Florida, to say the least. What additional oil producing wells would mean to both northern and southern Florida need not be dwelled on here; one need only look at the example of Southern California to find a parallel.

It is not impossible that the merest show of some success in the search for oil would result in a "leveraged" interest throughout the State and, in many businesses, even in the "non-oil" sections of Florida. It is also reasonable to assume an increase in the price of real estate, especially residential real estate, in the various areas affected. One collateral effect would be to increase the value due to the shortage of commercial office space. This was particularly true in the case of earlier oil boom sites in both Calgary, Alberta, as well as in Texas.

The area which has received most recent notice in the Florida oil picture, of course, is the "Florida Keys," which incidentally, was the earlier site of the drilling that started "big" oil company interests in Florida. Another interesting area for the search for Florida oil is that surrounding the Everglades. Particularly pertinent, is the fact that the major oil companies and geophysical companies as well, have both pointed out that there are distinctly good geological indications that oil might be present under the Everglades. Still another area not to be overlooked is the Lake Okeechobee region, because if oil were to be found in this vicinity, many of the large cattle ranches or farms, not yet leased, would unquestionably be immediately "leased" out to the major oil companies.

It is certainly within the realm of possibility that a future projection, certainly feasible on Florida's economic screen, could show the following oil picture of the future for these three "key" cities in Florida. (1) Tallahassee, in addition to being the State Capital, is already enjoying a mild oil boomlet, and from a minor oil center would grow in stature; (2) Fort Lauderdale, unquestionably, would then become a bustling oil port town, and (3) Miami could become a significant oil center of America.

In sum, meanwhile the search for oil continues in Florida. Whether or not greater or lesser amounts of oil will be discovered, only the drilling of many more wells, the spending of many more months of exploration, the investment of many more millions of dollars and only time alone will tell. However, in the "Venturesome Investor's" favor is the fact that the major oil companies do not, even in their vast search for oil, spend as many millions of dollars as they have in the past and will continue to spend in the future, without a sincere belief and firm conviction as to the oil "potentialities" in the State of Florida.

Beneficiaries: Future Oil in Florida

Admittedly, numerically speaking, the major oil companies appear to have dominated the oil picture in Florida. Actually, however, this is not true, because of the 17 oil companies leasing Florida land at the 1952 year-end, interestingly enough (2) are "speculative" oil companies, but note, that their combined holdings aggregate approximately 35% of the total 17,231,950 acres leased in Florida. Consequently, should major oil discoveries eventuate in Florida, these companies stand to be the "primary" beneficiaries.

Actually, to varying degrees "beneficiaries" of future oil discovered in Florida might be "broken down" into three general classifications as follows: (1) Major Oil Companies; (2) Speculative Oil Companies, and (3) "Non-Oil" Companies.

In the major oil company group, companies with the largest lease holdings, in their order of importance, include Gulf Oil, Humble Oil, Continental Oil, Sun Oil, Amerada Petroleum, Sinclair Oil, Texas Co., Shell Oil, Cities Service and Seaboard Oil.

In the "non-oil" group classification, should be included such names as United States Sugar, St. Regis Paper Co., American Sumatra Tobacco, Rayonier and Newport Industries. Another field of interest could be opened by continuance of a Florida oil boom, regarding the extensive land holdings of the railroads in the State which includes Atlantic Coast Line Railroad, Seaboard Air Line Railroad and Florida East Coast Railroad.

The "Venturesome Investor" who has only speculative objectives, both able and willing to assume the inherent risks involved, in return for exceptionally handsome appreciation "potentialities" on a long-pull basis, might consider Coastal Caribbean Oils, Commonwealth Oil and United States Sugar.

Coastal Caribbean Oils, of course, is an offshot of Pancoastal's recent "reorganization." Its lease holdings of 5,000,000 acres along Florida's West Coast constitutes the largest lease holding of any company in the State of Florida. Enjoying "dual" marketability, the stock is "actively" traded Over-The-Counter and on the American Stock Exchange, recently quoted around 4.

Commonwealth Oil, organized about two years ago, has able management behind it, people who have been associated with some of the country's leading oil producers. It has Florida lease holdings of approximately 1,000,000 acres and has been drilling a well at "Key Largo," some 50 miles south of Miami. At the present time, it has development contracts with Gulf, Sinclair and Coastal Caribbean Oils. "Actively" traded Over-The-Counter, current market levels are around 4.

United States Sugar, of course, is the largest producer of domestic sugar, accounting for some 90% of Florida's output and approximately 7% of total sugar consumed in the United States. Of the three stocks, United States Sugar, incorporated in 1931, is the best known to the "average" investor. Company has lease holdings of over 125,000 acres in the Lake Okeechobee region, which has recently received interest from Coastal Caribbean Oils, which has been doing some deep test drilling in the lake itself. The stock is "actively" traded Over-The-Counter, and based on the 0.50 indicated dividend, affords investors an estimated yield of 4.3% at a price of 11½.

Banking Policies in Foreign Trade Credit

By A. M. STRONG*

Vice-President, American National Bank and Trust Company of Chicago

After pointing out foreign banking is still a young and specialized business in U. S., Mr. Strong describes the operations and risks involved in foreign trade financing. Holds bankers' compensation for foreign transactions is not commensurate with the risk and the work involved. Discusses various methods of financing foreign commercial transactions and calls attention to efforts to establish a standardized practice for commercial letters of credit. Explains use of bankers acceptances.

Foreign banking is a relatively young business in the United States. It developed only after the passage of the Federal Reserve Act in 1913. Although American banks handled a limited volume of foreign transactions as early as the 1860's, substantial bank financing of international trade began only after the first world war. American banks were without adequate experience and background for this new business. There were no established procedures or laws. There were few bank men in the United States familiar with foreign banking business and the first results were discouraging. The devaluation of foreign currencies in the early twenties and the decline in commodity prices resulted in losses to American banks and the public. The annals of the courts for the first postwar period are full of cases involving banks and merchants here and abroad.

A. M. Strong

A Young and Specialized Business

While our banks have accumulated a great deal of experience during the past 35 years, foreign banking is still a specialized business. It is estimated that no more than 150 banks of the 14,500 United States banks are engaged in foreign commercial banking.

The reluctance of inland banks to enter the foreign field may be attributed to the following reasons: A limited volume of direct exports and imports in inland areas; greater hazards than in domestic financing; inadequate compensation for the risks assumed and the services rendered.

Prior to World War II foreign commerce was a seaport business. Foreign buyers and sellers arriving in New York, San Francisco or at other ports naturally made their first contacts there and in most cases did not venture into the interior. The seaports developed foreign trade middlemen who conducted a substantial share of our foreign trade. Although the picture has been changing since the end of the war and foreign business men are becoming aware of the importance of the inland areas, a large volume of the export and import financing is handled by seaboard banks. Only a few larger inland banks engage in this business. In Chicago, for example, only six Loop banks maintain foreign commercial departments. The smaller banks in inland cities find no justification in maintaining specially trained personnel for their small volume of foreign business and they clear such transactions through their correspondents that maintain such facilities.

The risks in financing foreign transactions are greater than in domestic trade. There are intangible elements which add to the risk. These are government restrictions; periodical shortages of dollars; currency depreciation; default in payment by the foreign buyer; war or revolution in the buyer's country; cancellation of an import license or the imposition of import restrictions on goods not previously subject to license; and many other risks.

*An address by Mr. Strong at the Institute of International Trade, University of Illinois, Monticello, Ill., July 17, 1953.

Greater Risks in Foreign Trade Financing

While the banker extending a credit line to a domestic customer is concerned only with the character of the borrower, his capacity and his capital, additional factors must be taken into consideration in foreign financing. An exporter's capital may be impaired if the country where he sells a major share of his products becomes short of dollars and imposes restrictions on the transfer of funds. A recent example of such a situation is Brazil where payments due to American exporters were stopped because of a dollar shortage. Repayment of obligations accumulated over an extended period are now being made through the assistance of the Export-Import Bank. When a bank discounts an export draft the underlying security is in a foreign country and is subject to local laws; the proceeds cannot be remitted without government licenses which may not be granted; and in case of a dispute a lawsuit abroad will prove to be costly.

The compensation for foreign transactions is not commensurate with the risk and work involved. Bank charges for foreign business have not been changed for the past 30 years, notwithstanding the substantial increase in overhead costs. For example, the charge for collecting export drafts has been 1/8% for the past 30 years. Likewise the charges for commercial credits, payments, etc., have not changed materially.

The interest rates to domestic customers for loans and advances in foreign trade are as a rule the same as for domestic transactions notwithstanding the additional risks. American banks extend credit to foreign banks at the rate of 1/2% per annum. This rate is applied to the confirmation of letters of credit of foreign banks. Although the American bank does not advance the cash at the time of confirmation it nevertheless assumes the full credit risk. A striking example of the credit risk was the recent default by the Argentine banks on Confirmed Letters of Credit by order of their government. American banks were paid only after the Export-Import Bank made a special dollar loan to Argentina.

Banks engaged in foreign trade are to some extent compensated by earnings and balances carried by foreign banks. While there are no statistics on the total of credit lines extended by American banks to their foreign correspondents, there are available statistics on foreign deposits in the United States. On Dec. 31, 1952, the demand and time deposits of foreign banks with Member Banks amounted to $1,991,151,000. Of this amount New York banks had $1,611,331,000 or 81%. Chicago banks had $38,935,000 or 2%. The ratio of deposits is reflected in the acceptance financing of American banks. As of Dec. 31, 1952, acceptances outstanding totaled $343,277,000. Of this amount New York banks had $216,719,000 or 63% while Chicago had $4,807,000 or 1.4%. The small ratio of foreign deposits in inland areas and the inadequate compensation for foreign credits are responsible for the small percentage of banks engaged in foreign financing.

The financial terms of the export sale are of paramount importance. No matter how profitable the transaction may appear, the profit is contingent upon payment for the goods and failure to receive payment may mean a total loss. On the other hand, demand for payment in advance or stringent credit terms when not warranted will prove to be a serious obstacle. The monetary arrangements of an export transaction therefore require as much attention as the manufacture and sales promotion.

Methods of Financing Foreign Transactions

There are several methods of financing foreign commercial transactions. One is the letter of credit. The use of the Banker's Letter of Credit for the financing of exports and imports began on a wide scale in this country only about thirty-five years ago. Prior to the last war, letters of credit were little known and were issued in foreign currency, most frequently in Sterling. Such letters of credit were established by British banks or by American branches of Canadian banks.

The irrevocable export letter of credit eliminates the payment risk and protects the exporter against cancellation of the order. When the credit is confirmed he has the assurance of payment not only from the foreign bank but also from the American bank. The foreign importer establishing the letter of credit also derives certain advantages, as he is assured that the requirements of the credit, as far as documents, date of shipment, insurance, etc., will be complied with before payment is made. The letter of credit arrangement is advantageous to both the buyer and to the seller. The buyer does not pay for the goods until the shipment is actually made and sometimes months after the shipment is received. The seller on the other hand obtains payment as soon as he ships the merchandise and occasionally earlier.

Although a bank does not advance cash when the letter of credit is established it nevertheless undertakes to make the payment at a stipulated date even if the buyer is insolvent and the bank is not reimbursed by its customer. A bank therefore applies the same considerations in establishing letters of credit as it would in lending the cash. The financial standing of the borrower must entitle him to the credit. The underlying merchandise is taken into consideration and the bank will extend more credit on a transaction secured by merchandise than on the borrower's note.

The irrevocable export letter of credit is a definite undertaking by the foreign opening bank in favor of the beneficiary which can neither be modified or cancelled without the agreement of all concerned. The American bank advising an unconfirmed credit assumes no responsibility. The Advice contains a clause reading substantially as follows:

"The above mentioned correspondent engages with you that all drafts drawn under and in conformity with the terms of this Advice will be duly honored upon delivery of documents as specified if presented at this office on or before (date).

"This letter is solely an Advice of Credit by the above mentioned correspondent and conveys no engagement by us."

Exporters who desire the added commitment of the American bank require a Confirmed Irrevocable Letter of Credit. In this type of credit the advising American bank makes itself responsible to the beneficiary from the date of the confirmation. Most American banks use the following clause in advising confirmed credits:

"The above mentioned correspondent engages with you that all drafts drawn and in conformity with the terms of this credit will be duly honored upon delivery of documents as specified if presented at this office on or before (date); we confirm the credit and thereby undertake that all drafts drawn and presented as above specified will be duly honored by us."

While the irrevocable letter of credit affords protection to the exporter his ability to obtain payment depends upon compliance with all of the requirements of the credit. The exporter must carefully examine his letter of credit and be certain that he can furnish the stipulated documents in the form described, as the bank has no discretionary powers and must follow the mandate of the buyer.

The exporter, upon receipt of advice of a credit, must ask himself, "Can I supply all the documents required? Can I obtain the documents in the form specified in the credit?" If he is in doubt, or if the letter of credit describes the merchandise in terms that will not be embodied in the bill of lading or in the insurance policy, he should satisfy himself before making shipment, that the bank will accept the documents.

Lack of careful consideration of the requirements of the credit and failure to present the documents in the form specified often lead to misunderstandings, difficulties, and law suits. The American and British courts have consistently held that a bank is not authorized to pay under a letter of credit when the documents do not fully conform to the terms of the credit; that a person who ships in reliance on a letter of credit must do so in exact compliance with its terms; that a bank is not bound or entitled to honor drafts presented to it under a letter of credit unless those drafts with the accompanying documents are in strict accord with the credit as opened; that there is no room for documents which are almost the same, or which will do just as well. Banks must carry out the instructions of the buyers and of their foreign correspondents establishing the credits. If they deviate they assume liabilities and risks inconsistent with their functions and out of proportion to the remuneration they receive.

Recommended Standardized Practice for Letters of Credit

Continuous efforts have been made by commercial and banking organizations to establish a standardized practice for commercial letters of credit, which would be observed internationally. The adoption of Uniform Customs and Practice for Commercial Documentary Credits by the Seventh Congress of the International Chamber of Commerce was a great contribution to the progress of international trade. The rules were revised and improved in 1951 by the 13th Congress of the International Chamber of Commerce.

The export letter of credit is as a rule established by an American bank at the request of a foreign bank. The confirmation of credits in favor of American exporters or the negotiation of drafts under non-confirmed credits involves the granting of credit to foreign banks, sometimes in countries economically unsettled or short of dollars. The extension of such credit may involve the risk of nationalization, currency depreciation or war. When an American bank confirms a letter of credit it assumes an irrevocable obligation to the shipper and must meet the obligation whether or not the foreign bank can or is willing to pay.

Another method of financing exports is shipment against draft on the foreign buyer. The sight draft, payable upon presentation of the documents, prevents the drawee from obtaining the goods until payment is made. If he should refuse to pay, the exporter can arrange for the return of the goods or sell it to another person. The seller, however, runs the risk of restriction of the transfer of dollars, decline in the price of the goods and inability to sell.

The time draft with instructions to release documents only against payment affords the same protection and entails the same risks as shipment under a sight draft. In a transaction of this nature the drawee accepts the draft to be paid at a stipulated maturity. The banker abroad makes entry and stores the goods for account of the seller. The goods are released against payment. Should the buyer refuse to accept the draft or not pay the draft at maturity, the exporter is faced with the same conditions as when payment of a sight draft is refused. In any event he retains custody of the goods.

When the exporter authorizes the release of documents against acceptance by the buyer of a time draft the arrangement does not materially differ from shipment on open account. The merchandise is released against the buyer's promise to pay at some future date. The seller faces a loss if the buyer acts in bad faith or becomes insolvent or when the buyer's country restricts the transfer of dollars.

The exporter can arrange with his bank to discount the export draft, and in this manner obtain payment as soon as shipment is made. However, he assumes responsibility for the final payment and should the draft be dishonored by the foreign buyer, he must repay the amount advanced.

Use of Export Acceptances

Extending credit through bankers' acceptances differs from extending credit by means of loans and discounts in that the credit does not involve the utilization of loanable funds by the bank. An acceptance is a guarantee of a bank to pay the draft when due, but the bank does not pay with its own funds, inasmuch as the borrower has contracted to supply the funds prior to maturity. The bank is, nevertheless, liable for the amount of the acceptance, irrespective of reimbursement by the borrower.

The acceptance powers of banks are derived from Section 13 of the Federal Reserve Act. Acceptance financing of exports and imports may cover the following: The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between dependencies or insular possessions and foreign countries, or between foreign countries.

The financing of an exportation on a acceptance basis is arranged as follows: At the request of a foreign bank, the American bank opens a time credit in favor of an American exporter who draws on the bank a time draft which is presented to it together with documents of title. The American bank accepts the draft and forwards the documents to the foreign bank. The exporter discounts the draft at a preferential rate of interest. The present rate is 2% for 90-day bills.

Shipments to foreign countries on a draft basis can also be financed by means of acceptances.

Continued on page 29

Reviewing Our Foreign Policy

By HON. A. S. MIKE MONRONEY*
U. S. Senator from Oklahoma

Sen. Monroney in his reassessment of our foreign policy says chief problem is lack of public understanding of the grave difficulties to be met in establishing a lasting peace. Calls for bi-partisan effort to overcome disillusionment regarding difficulties in establishing peace, and asks for support of United Nations, despite its weaknesses. Favors Point IV aid to Asia to counter spread of Communism, and, though defending our action in Korea, holds U. S. will not again undertake this major burden of military action. Urges an international police force, and points out trade is best weapon for world peace.

To get a genuine reassessment of our policy, I think we must first be willing to recognize the disillusionment that has taken place here in America regarding peace. Impetuous as we are, most Americans are impatient if the supermarket doesn't deliver a completely warranted peace neatly packaged at 3 p.m. the day we try to "buy it."

Sen. Mike Monroney

Few realize that the problems of establishing a workable peace—particularly a peace to be guaranteed by collective security with other nations—is more difficult in obtainment than victory in war. The problems of victory in war are largely those of logistics—more men, more material, better strategy. But those of peace run the gamut of all human relations and then, as we are now finding, involve the perplexing problems of war as well.

Without this understanding of the difficulty of the task, it is hard to erase from the public mind the feeling that either the Administration is on the wrong path and has failed, or that our allies are letting us down.

During recent years, even with the hatred of the acts of the Russians and their continued enslavement of free peoples, I have heard far more criticism of our own leaders than of the men in the Kremlin. This, I believe, flows from the inherited false assumption that peace is a "natural" aftermath of war. It someway has become an American credo that unless we blunder, peace is bound to arrive like the express train at 5:15 unless someone throws the wrong switch or derails the train.

The No. 1 Problem

So I would say that our number one problem in the reassessment of our foreign policy is an understanding by the American people of the complexity and grave difficulties to be met in establishing a lasting peace. We must find some way to overcome the disillusionment of tens of millions of our people. If we do not do this effectively, then the long, hard, expensive and perhaps bloody fight to establish peace can be lost in the first quarter of the game.

To my way of thinking, our only hope of sustaining American public opinion to carry out effective policies is through a bi-partisan effort dedicated to this end. I am not asking that all members of the House or the Senate, nor all Governors nor public men, rubberstamp whatever the government is doing. That would be too great a price to pay for any peace.

What I am saying is that exploitation of the difficulties for partisan political gain must be eschewed by both major parties if peace is to be established. It does not matter if few or several members of both parties criticize our peace efforts, but when destructive criticism becomes a major weapon in the political arena to win the next election for my party or the other party, we might as well give up the game.

Foreign policy at best is difficult for the average person to understand. It can stand demagoguery of the individual but cannot withstand the multiplied impact of a united political party, destructively opposing for the sake of winning the next election.

I pray that my party, now the minority party, can have the good sense and basic patriotism to forego any political advantage that could occur through attacks on the foreign policy of this nation as long as it seeks peace through collective security. As long as our destination is world peace we must not assume the role of back-seat drivers for the sake of winning votes.

Up to date, I am proud of the record of the minority, which has supported President Eisenhower fully to these ends. I predict that we will continue to do so as long as his policy is in that direction.

Once our people fully realize the great difficulty of the problem we are working on—once we have removed the desire for partisan political gain through exploitation of inevitable difficulties of these efforts, we arrive at the next stage—our take-off point for the "battlefield" of peace.

The United Nations

That, of course, is the United Nations. Here again we have that same old first problem—not only with America, but with many of its other leading members. The shiny new peace model they thought they were buying, with super-charged motor, dynaflow, multi-carburetor and high voltage ignition has, to their way of thinking, turned out to be a pre-model T. Its built-in veto has a habit of slipping the gears into reverse whenever the vehicle gets on a steep hill.

And so with understandable disappointment that the first mutual defense model ever produced isn't as good or as powerful or as smooth-running as the salesman had promised, many want to trade it off for an isolationist "8" or a neutralist "6," or maybe just "get a horse."

All right, let's accept the fact that we are disappointed. Let's admit that we all expected too much of the machine and too little of the multitude of drivers. Maybe it's not altogether the fault of the machine, but also that the drivers and mechanics don't know yet how to make the machine work properly. But instead of giving up because we can't learn to drive or throwing away the motor because the spark plugs get dirty, let's determine with highest possible resolve to master it.

And those other fellows, Red Russians in the back seat who keep puncturing the tires, putting sand in the transmission and trying to grab the wheel and turn to the left on a hairpin turn—should we kick them out and try to run it without them? I'm afraid that if they take their wheels and parts out of the machine it won't run at all—much less serve the world community of nations it was designed to serve.

An ever-increasing volume of mail received in the Congress reflects this grave disappointment and discouragement. Some of it goes so far as to demand we withdraw from the United Nations and "go it alone." Others want the Russian bloc thrown out. And still others would reduce it to the impotency of a debating society as the League of Nations became.

Human institutions dealing with human relations, whether in a church or business society, county, state, national or international organization, are subject to human limitations. Inexperience, distrust, suspicion, ignorance, all work through any organization made up of men. No charter, no matter how brave or complete, is a perfect blueprint for a smoothly-functioning product.

We have the United Nations—it is learning its job as its representatives and its member nations are learning theirs. Far from perfect — in fact very imperfect—the nations of the world to some degree are learning the first stage in the art of cooperation. These are the days not dissimilar to the days of the "Articles of the Confederation." The time of travail will be longer—much longer, for the problem is much greater—but it is in the direction of solution rather than dissolution.

There are many "built-in" weaknesses in the organization, but the clash of international tensions should not be unexpected. Now that we see the organization in action, we must recognize that which should have been obvious all along — that it's purpose is to resolve conflicts between nations. It seeks to transfer these conflicts from sabre-rattling ultimatums to speeches on the floor of the United Nations and to negotiation through improved and implemented diplomatic machinery.

The conflict of international interests did not go away with the adoption of the U. N. charter. Indeed, it will not go away when, and if, it completes its 100th year of operation. But the forum for discussion, reconciliation, adjustment, will improve with use and experience. It will improve if we and the other nations have the patience that the task of building a lasting peace requires.

Many of the problems that disturb us today will, if the United Nations stands, be of little worry to our children. Today, our generation has to have the patience to seek a new ideal. If cooperation is to finally succeed, our present world organization first must learn to walk. As a new institution, it faces a task that would test to the limit the capacities of one dozens of years older.

The Asia Problem

Asia, which has been undergoing a revolution for nearly 100 years, is reaching its crescendo in a mixed conflict of pent-up stresses and strains on nationalism, socialism, racialism and industrialization. We act surprised. We are confounded. We abuse our leaders and blame ourselves when a revolt, 100 years in the making, takes China into the Red orbit. We condemn the French and Dutch colonial systems and then wonder why Communists, trained and educated in the Kremlin, move into the vacuum of power left in the transition from the old to the new.

We both overestimate and underestimate the strength of Communist imperialism. Certainly we oversimplify it. As hundreds of millions have been added to their slave world, we blame ourselves and cry out that our leadership has failed.

Certainly the Communists have gained in Asia. The ground was fertile soil for its doctrine of slavery as a substitution for backward colonialism. Certainly a handful of men and a purse of money couldn't hold back the tens of billions spent for propaganda and agents by the Kremlin to first ripen the apple for revolt and then exploit Asia's nationalism to their own selfish imperialistic ends.

The mammoth to the north with the false face of social gains had a product to sell and a ready made market for it.

Against this backdrop, should we condemn the United Nations for failure of a mission in Asia? Or should we determine, with our help, patience and determination, to seek to retrieve the situation when the false face of social gains has been stripped down to display clearly the cruel face of imperialistic slavery that their Communist rule means?

Certainly the United Nations and the United States cannot match the Communists in propaganda and infiltration in Asia. But we do have a better weapon in Point IV. It is less spectacular and its immediate results will be small. But the long-range gain to a continent where starvation is routine will be more effective than

Continued on page 28

*An address by Sen. Monroney before the Fifth Annual Conference of American Foreign Policy, Colgate University, Hamilton, N. Y., July 11, 1953.

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

and Consolidated Subsidiaries

FIFTY-FOURTH ANNUAL REPORT — YEAR ENDED APRIL 30, 1953

CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 1953

ASSETS

CURRENT ASSETS:			
Cash in Banks and on Hand		$20,068,201.87	
Marketable Securities, less reserve (Market Value $1,278,355.00)		1,180,020.00	
U. S. Government Securities at Cost		1,655,014.28	
Notes and Accounts Receivable, less reserve (See Note 2)		39,832,174.97	
Accrued Unbilled Escalation Charges		893,519.18	
Inventories at cost or less, and not in excess of present market prices (See Note 2)		47,294,380.59	$110,923,310.89
PREPAID AND DEFERRED ITEMS			915,552.64
NOTES RECEIVABLE—MATURING SUBSEQUENT TO ONE YEAR			725,967.23
MISCELLANEOUS SECURITIES, LESS RESERVE			1.00
DEPOSITS OF CASH AND SECURITIES			281,253.18
CAR PURCHASE OPTIONS—UNCONSOLIDATED SUB. (See Note 4)			839,700.00
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARY (See Note 1)			15,000.00
DUE FROM UNCONSOLIDATED SUBSIDIARIES (NET)			4,543.68
PLANT AND PROPERTY (See Note 3):			
Land and Improvements		3,335,122.13	
Structures	$21,662,636.10		
Machinery and Equipment	49,724,968.65		
Railroad Cars	33,328,140.05		
	104,715,744.80		
Less: Amortization and Reserve for Depreciation	56,582,061.90	48,133,682.90	
Patents, Trademarks, etc.		23,015.13	51,491,820.16
			$165,197,148.78

The accompanying Notes to Financial Statements are an integral part of this statement.

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:			
Notes Payable to Banks		$15,000,000.00	
Accounts Payable and Accrued Expenses		21,406,711.90	
Accrued Federal, State and Local Taxes		11,384,527.81	
Advance Payments received on Sales Contracts		995,247.31	
Sinking Fund requirements due within one year under indentures securing debenture issues of Shippers' Car Line Corporation		685,000.00	$ 49,471,487.02
SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY:			
3% DUE APRIL 1, 1961		$ 2,850,000.00	
3% DUE JULY 1, 1962		2,300,000.00	
3¼% DUE APRIL 1, 1963		1,540,000.00	6,690,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY			8,689.66
CAPITAL STOCK:			
7% Non-Cumulative Preferred:			
Authorized and issued 300,000 shares—par value $100.00 per share		$30,000,000.00	
Less: 10,550 shares of Treasury Stock		1,055,000.00	28,945,000.00
Common:			
Authorized 1,000,000 shares—par value $25.00 issued 660,000		16,500,000.00	
Less: 660 shares of Treasury Stock		16,500.00	16,483,500.00
CAPITAL SURPLUS, See Statement			18,533,790.88
EARNED SURPLUS, See Statement			37,943,093.22
RESERVE FOR CONTINGENCIES			7,121,588.00
			$165,197,148.78

STATEMENT OF CONSOLIDATED INCOME

Gross Sales and Car Rentals, less discounts and allowances			$257,209,071.13
Cost of Operations		$219,772,190.86	
Depreciation—Operating Properties		4,114,573.78	
General, Selling and Administrative Expense		12,815,483.79	236,702,248.43
Earnings from Operations			$ 20,506,822.70
Other Income:			
Dividends		$ 112,806.14	
Interest		75,184.37	
Royalties		80,095.79	
Cash Discounts		431,102.19	
Miscellaneous		70,789.66	769,978.15
			$ 21,276,800.85
Other Charges:			
Interest and Discount		$ 1,070,597.35	
Royalties		245,369.19	
Loss on Property Retirements		1,681,063.93	
Non-Operating Property Expense—Net (Including Depreciation of $217,302.19)		341,387.25	
Miscellaneous		27,852.01	3,366,269.73
Net Earnings before Provision for Federal Taxes on Income			$ 17,910,531.12
Deduct—Provision for Federal Taxes on Income—(Including $257,980.80 Excess Profits Taxes)			9,225,554.81
Net Earnings Carried to Surplus			$ 8,684,976.31

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1952		$31,319,891.48
Add: Transfer of Reserve for Employees' Welfare Plan	$4,129,377.63	
Net Earnings for Year	8,684,976.31	12,814,353.94
		$44,134,245.42
Deduct: Dividends paid during the year on Capital Stock publicly held, viz:		
On 7% Non-Cumulative Preferred, $7.00 per share from earnings for year ended April 30, 1952	$2,026,150.00	
On Common, $3.00 per share	1,931,961.00	
Stock Dividend		
On Common Stock at the rate of 1 Common share for each 10 shares outstanding	2,097,900.00	
	$6,056,011.00	
Excess of cost over book value of Avion Instrument Corp. Capital Stock at date of acquisition	135,141.20	6,191,152.20
Balance, April 30, 1953		$37,943,093.22

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

Balance, May 1, 1952	$ 2,949,390.88
Add:	
Adjustment of no par value common stock from stated value of $50.00 per share to par value of $25.00 per share	14,985,000.00
Excess of average market value of $35.00 per share over par value of $25.00 on shares of common stock distributed as a dividend	599,400.00
Balance, April 30, 1953	$18,533,790.88

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

NOTE 1—CONSOLIDATION

The consolidated financial statements of American Car and Foundry Company and Consolidated Subsidiaries include all subsidiaries except SHPX First Corporation and the latter's subsidiary companies. These unconsolidated subsidiary companies were organized for the purpose of financing specific car purchase, rental and sales transactions. Any obligations incurred by such financial subsidiaries are secured by cars and leases thereon, and are without recourse to American Car and Foundry Company or its operating subsidiaries—Carter Carburetor Corporation, Shippers' Car Line Corporation, and Avion Instrument Corp.

Inasmuch as the function and purpose of such subsidiaries relate to financing, and the character and extent of their operations, including the credits upon which their financial transactions are based, are prescribed by wholly independent lending institutions, these companies are excluded from the parent company consolidation and a separate consolidation under the heading SHPX First Corporation and Subsidiaries is provided. The parent Company's investment in SHPX First Corporation is carried at $15,000.00, being the amount of the said corporation's outstanding capital stock.

All of the outstanding capital stock of Avion Instrument Corp. was purchased April 20, 1953 at a cost of $135,141.20 in excess of book value. This excess has been charged to Earned Surplus, and Avion's operations from April 20 to April 30 are included in the statement of consolidated income.

NOTE 2—U. S. GOVERNMENT CONTRACTS

Inventories and accounts receivable which relate to U. S. Government contracts are included in this balance sheet, after deducting partial payments received in accordance with the regular provisions of such contracts.

NOTE 3—PLANT AND PROPERTY

Plant and property of parent company included in valuations were inventoried and valued by Coverdale and Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of subsidiary companies are included at cost.

NOTE 4—CAR PURCHASE OPTIONS

With respect to certain railroad cars owned by SHPX First Corporation and its subsidiaries, Shippers' Car Line Corporation has paid a total of $839,700.00 for options to purchase these cars at any time at depreciated book value, with the privilege of applying this amount to the purchase price thereof.

NOTE 5—PENSION PLANS

In order to establish a uniform accounting procedure in the treatment of payments under the company's welfare plan for salaried employees and payments of pension benefits under the provisions of certain labor union contracts, the former practice of making charges to the Reserve for Employees' Welfare Plan to cover retirement cost applicable to past services of salaried employees has been discontinued. The balance of $4,129,377.63 remaining in the said reserve on May 1, 1952 has been restored to Earned Surplus, and all payments, both for past services and normal current requirements, are presently charged to operations.

Charges to operations under the company's pension plans for the fiscal year ended April 30, 1953, amounted to $360,559.70 for normal requirements and $1,232,231.90 on account of past services. Based upon actuarial computations before income tax credits, the estimated past service liabilities unfunded at April 30, 1953 amounted to $11,221,603.60.

NOTE 6—RENEGOTIATION

Certain of the company's business is subject to possible price adjustment under provisions of the Renegotiation Act of 1951. In the opinion of the Management, any such price adjustments as might become necessary should not be material.

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

25 BEAVER STREET,
NEW YORK

TO THE SHAREHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY:

We have examined the Consolidated Balance Sheet of AMERICAN CAR AND FOUNDRY COMPANY AND CONSOLIDATED SUBSIDIARIES as at April 30, 1953, and the related Consolidated Statements of Income, Capital Surplus and Earned Surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. However, it was not practicable to obtain confirmation of certain accounts with United States Government Departments and Agencies, as to which accounts we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying Balance Sheet and related Statements of Income, Capital Surplus and Earned Surplus present fairly the financial position of American Car and Foundry Company and Consolidated Subsidiaries at April 30, 1953 and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which has our approval, in the treatment of past service costs under the Employees' Welfare Plan, per Note 5 of the Notes to Financial Statements) with that of the preceding fiscal year.

ERNEST W. BELL AND COMPANY

New York,
June 23, 1953.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK 8, N. Y.

TO OUR SHAREHOLDERS:

At the conclusion of our last year's report we ventured a brief forecast of the next year's business beginning with the words: "If we had the assurance that there will be only the normal amount of strikes and other difficulties and that steel and other materials would be available even in the limited manner current last year—the outlook for earnings during the coming fiscal year would be indeed satisfactory."

Well—we had somewhat more than "the normal amount of strikes"—the steel strike closed down the freight car lines in our various plants for periods ranging from six to fourteen weeks. In addition we had occasional work stoppages due to other labor difficulties and material shortages. Nevertheless—the results were "indeed satisfactory"—due to the ingenuity of our staff who met each difficulty with determination and aggressively made the best of each situation.

Our sales amounted to over 257 million dollars, an increase of approximately 47% over 1952—which in turn was an increase of more than 45% over 1951. Defense work represented a greater percentage of the sales this year than last, but the increase in the volume of diversified lines of regular work was also highly satisfactory.

EARNINGS

Net profits for the year amounted to $8,684,976.31 compared with $7,202,164.74 in 1952 and $2,675,913.69 in 1951. These profits are after the usual charges for taxes, etc., but there was also approximately $1,700,000.00 in 1953 (against $1,500,000.00 in 1952) charged off from the sale of surplus properties and worn-out equipment.

After making provision for the 7% dividend on Preferred these earnings represent $10.10 per share on the Common compared to $8.64 per share last year on fewer shares. In addition to indirect taxes which cannot be precisely determined, our company paid $12,295,000.00 in direct taxes—therefore, to achieve the above result we really had to earn about 21 million dollars. With the exception of one war year, this is more than the company ever earned in its history and when the difference in labor, competitive and material conditions is considered shareholders will appreciate the effectiveness of our staff.

It is our policy to handle defense work on a moderate percentage profit basis and we, therefore, expect no substantial change in our earnings from the operation of the redetermination and renegotiation proceedings which generally come after the close of the fiscal year.

SALE OF PLANTS

We continued our policy of disposing of surplus plants which have in the past, to such a large extent, decreased our earnings (and in bad years increased our losses) by their useless overhead. In addition, by concentrating available business into fewer plants the margin of profit is increased. Wilmington—the sale of which had been negotiated in our last fiscal year—was concluded in October. Our Chicago plant, which showed substantial losses in recent years, was sold in April. Since the close of the present fiscal year we have succeeded in selling the Madison plant and are continuing our efforts to sell Jeffersonville. Monies available from these sources are welcome additions to our working capital.

CAPITAL

Our net worth—as expressed by our Capital, Surplus and Reserve for Contingencies—amounts to $109,026,972.10; compared with $100,482,651.26 in 1952. The book value of the 659,340 shares of Common stock now outstanding is $121.45 per share compared with $119.35 on the 599,400 shares outstanding in 1952.

Our working capital has increased from approximately 53 million dollars in 1952 to 61 million dollars. Additions from earnings over and above cash dividends, plus the proceeds of several plants sold, produced this increase in our working capital. However, as we stated in last year's report, our shareholders must continue to bear in mind *that to do more business we must continue to build up our capital.* Our balance sheet shows bank borrowings of 15 million dollars and this amount would be considerably larger if we had not succeeded in arranging

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a substantial percentage of our defense work on a partially self-liquidating basis.

In addition to the money needed for expanding our diversified business (such as the additional plant facilities of Carter Carburetor Corporation and Shippers' Car Line Corporation with which we shall deal later) we had to make substantial expenditures for plant changes and machinery in connection with our defense work. On most of the latter we received permission to use accelerated depreciation which was, of course, charged against current earnings.

We have heretofore carried on our balance sheet an item of approximately 4 million dollars as reserve for the Employees Welfare Plan. It is no longer permissible to treat pension plans set up under our Union contracts in this manner and after discussion with the Securities and Exchange Commission we have eliminated this item from our balance sheet in order to achieve uniformity. We have, therefore, returned this amount to Earned Surplus and have appended an appropriate explanatory footnote to our balance sheet.

DIVIDENDS

After the amount of the year's earnings had been established with sufficient certainty the full $7 dividend was declared upon the Preferred stock. In compliance with our statutory requirements the full amount was irrevocably set aside and secured for the payment of the full dividend. In conformity with precedent, the dividend was made payable in four quarterly installments, thus providing a more regular income to our shareholders and at the same time keeping some of the money in the business.

The directors gave careful consideration to the amount of earnings that should be paid to the Common shareholders. They finally decided that in a cyclical (which we formerly called "feast and famine") business such as ours, where the Common shareholders received meager or no dividends in bad years, it seems only just to be liberal in good years. They, therefore, declared a special dividend of $2 in cash to be paid on July 15 and also $3 to be paid, as last year, in four quarterly installments. The dates for these quarterly payments were changed somewhat from last year so that we may send our shareholders a quarterly earnings report with each dividend check. This innovation, together with the other material we send, is in keeping with our policy of keeping shareholders more closely in touch with their business. The directors also voted a 10% stock dividend which operates to keep the cash in the business—while it leaves each shareholder free to either increase his holdings in the company or to sell the dividend stock should he prefer the cash.

SUBSIDIARIES

Carter Carburetor Corporation continues to hold its position as the largest manufacturer of fuel system devices for internal combustion engines: carburetors, fuel pumps, fuel filters and oil pressure switches. One of the latest developments, the Carter four-barrel carburetor, is now used by the four leading makes of automobiles. This unit provides the controlled, deep-breathing capacity required of modern high compression, high horsepower engines. Other carburetors are supplied not only as standard equipment for most makes of automobiles but also for tractors and the many small engines used on lawn mowers, lighting plants, industrial applications, etc.

Carter's new line of fuel pumps is now supplied as standard equipment for twelve makes of automobiles. These pumps have exceedingly long life, high capacity and rugged construction. In addition to mechanical fuel pumps, Carter developed and manufactures an electric pusher pump for use in trucks, buses and military vehicles where the elimination of vapor lock is of the utmost importance.

The Carter ceramic fuel filter, with its unique filtering element, insures fuel line protection on many millions of cars now in use. Carter also manufactures an oil pressure switch which warns of low engine oil pressure and is now used as standard equipment by some automobile manufacturers.

Parts and service for Carter products are available throughout the world through an organization of "Authorized Dealers" which the Carter Service Division built up and maintains by a constant educational program. This is accomplished through a factory service school in St. Louis and personalized instruction schools on the order of correspondence courses, held in even the most remote places. Today's carburetors are highly complex instruments and the Carter "Authorized Dealer" is usually the only trained mechanic in the locality able to give competent service. You will find his name in the Yellow Pages of your telephone book under "Carburetor."

A consistent aggressive sales promotion and advertising program is carried on and the quality of the Company's advertising received national recognition by their receiving the 1953 Premier Award in a field of 299 entries by the National Advertising Agency Network.

Because of the increased size of many types of carburetors, and the rapidly expanding volume of mechanical fuel pumps, additional manufacturing space was needed. It was decided early in 1952 to build on a 35-acre lot of ground in Olivette, St. Louis County, Missouri. A one-story building containing 107,000 square feet is now under construction and should be completed in November. This new unit will, in addition to other equipment, house Carter's complete automatic screw machine department, consisting of 173 machines. Being on a railroad siding, there will be substantial saving on the large volume of rod hauled in and scrap turnings and rod ends hauled out. This plus maximum mechanization will improve efficiency and earnings.

Shippers' Car Line continued to contribute to our earnings in a very satisfactory manner. Their operating fleet now consists of over 12,200 tank cars, an increase of approximately 500 cars during the year. The leasing, routing, repairing and general management of this fleet so as to provide the best results are indeed a complex and never-ending task requiring ingenuity and experience.

The extension and improvements in their service shops at North Kansas City, Missouri; Milton, Pennsylvania; East St. Louis, Illinois; and Smackover, Arkansas, have proven their value by improving maintenance and thus accelerating the return of cars to income-producing service.

DEFENSE CONTRACTS

Defense work played a more important part in this year's operations than last. We were pleased (and the Government was even more pleased) to find that our costs are considerably below the estimates and we are thus able to give the Government the benefit of substantially lower prices. We were also complimented by the Government upon the satisfactory solution of certain engineering and production problems which facilitated not only our production but that of other tank manufacturers as well.

We encountered serious difficulties in organizing the airplane section production line, but present performance is such that we received a very flattering commendation from the Government.

The Government contracted with us during the year to set up a line for the production of shells—stating great speed was necessary—and scheduled our production to begin in 12 months. When we began production in four months we received letters of highest praise from the officers in charge containing phrases such as "miraculous—herculean effort," etc. Additional orders are being negotiated at the present time assuring production considerably beyond the present year.

Our defense work at Buffalo and Albuquerque expanded quite materially and necessitated additional equipment at Buffalo and enlarged plant facilities at Albuquerque. Security regulations forbid any discussion of these operations other than that present conditions and the outlook are quite satisfactory.

DIVERSIFICATION

A program of diversification naturally consists of three phases:

The first is the elimination of undesirable plants and properties, the sale of which, together with last year's increase in Common stock, provides the means of procuring new facilities. The disposal of our surplus properties is almost completed—the largest surplus plants—Chicago, Detroit, Madison and Wilmington—have all been sold as well as certain other miscellaneous properties.

The second phase which has been intensively pushed is the product development from ACF research. One of these—our valve division—had an operating profit last year of $474,119.00 and additional valve lines are now under test with very promising prospects. Research along a broadening number of lines is being intensified. This may be termed "diversifying from within" and is the least risky and most profitable form of diversification.

The third phase is the acquisition by purchase of other companies and products. We have had presented to us a great number of companies and products—the great majority of these offers, however, are efforts by the present owners to unload "war-babies," i.e., companies with only a war record of earnings whose future is problematic to say the least. The writer, having had broad experience along these lines during his banking career, is keenly aware of the strong probability, amounting to almost a certainty, that few of these concerns will survive the next business decline. Consequently we pick and choose with great care regardless of the high pressure from various sources that from time to time is brought to bear on us. We have several companies under investigation at present—we may find two or three in the next year or two and then again several years may elapse before something really desirable is available at a satisfactory price. In the meanwhile we continue to "diversify from within."

During the year we acquired for cash the Avion Instrument Corp.—a small but profitable company with an excellent research reputation. We acquired this company as an introduction to electronics and further developments along that line are contemplated.

BACKLOG

As of June first our company had a backlog of orders amounting to approximately 277 million dollars—consisting of 183 million defense and 94 million regular products, such as cars, carburetors, valves, storage tanks and miscellaneous castings, forgings, weldings, etc. This backlog is considerably smaller than last year—especially in the defense division. This is in part due to the change in the character of the backlog as we worked off some of the heavy tank orders and took on lighter but equally desirable shell orders. The amount was also reduced about 42 million dollars by our voluntarily reducing tank prices when our costs proved to be much lower than originally estimated. The regular product backlog was reduced due to our being able to get into fuller production as material restrictions were eased.

OUTLOOK

Making a prediction under present rapidly changing world conditions—which in turn produce equally disturbed conditions at home—can only be done with obvious reservations. Our labor relations are relatively satisfactory. We have the usual number of labor disputes which we always try (and often successfully) to settle without work stoppage. There is still a shortage of material in some categories, but the situation is steadily improving. World developments may expand or contract the defense program, but we believe our defense work will continue to be an important part of sales volume. These world developments, together with internal factors, may cause an advance or decline in general business conditions and affect our other lines of business. However, it is our considered opinion that, based upon our company's present position, making allowance for a reasonable amount of labor trouble, material shortage, etc., and barring adverse developments of unexpectedly large proportions, we should have another satisfactory year.

PERSONNEL

In November, 1952, we welcomed to our Board Mr. William T. Taylor, Vice President and Director of Bankers Trust Company of New York—one of our largest and most progressive banking institutions. Mr. Taylor was Vice Chairman of the Commercial National Bank and Trust Company of New York and has served as President of the New York State Bankers Association. During his earlier years he served as Assistant Dean of the Law School of Columbia University and later engaged in the practice of law. His broad experience and contacts are of great value to our company.

Mr. Robert W. Ward—who had been with the company for many years—as general manager of our Huntington plant and latterly as Vice President—resigned during the year on account of failing health. His record with the company was excellent—he was an able, efficient, hard-working man with a genial soul of sterling character. He leaves us with our best wishes and we fervently hope he will find recovery in his retirement.

Mr. Clifford W. Sponsel was elected Vice President in charge of the aircraft division on August 28, 1952. Mr. Sponsel's career has been principally in the light metal-fabrication field since his completion of advanced work at Northeastern University and at Johns Hopkins University. His previous aircraft experience includes service with Glenn L. Martin Company, Bell Aircraft Corporation and Ryan Aeronautical Company, where he was manager of production engineering. Mr. Sponsel was Vice President of Brooks and Perkins, Inc. before coming to us.

Mr. James M. White was elected Vice President in charge of manufacturing on January 22, 1953. Mr. White brings to us a wealth of experience gathered during a career that started with his graduation from Alabama Polytechnic Institute; steady promotion from engineer to Vice President in charge of manufacturing with Allis Chalmers in Milwaukee and more recently as manufacturing executive with the Allen-Bradley Company.

Your Management records its appreciation of the loyalty and devotion of each and every member of our organization—executives; division, department and section heads; and the salaried and hourly wage employees—as it was by their combined efforts and cooperation that the results of the past year have been obtained, and it is upon them that we depend for the success of the future.

For the Board of Directors:

Respectfully submitted,

JOHN E. ROVENSKY

Chairman of the Board

July 2, 1953

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Tito's Economic Cocktail

central government. Now tax administration has seeped down to the republic level—which merely denotes another instance where planning has become de-centralized. The de-centralization of tax collecting is another instance of its relative inefficiency. On the testimony of the regime's economic leaders, this has practically nullified all attempts to corral taxes from the peasant farmers.

"Interest"

Interest, like profits, assuredly is no longer a dirty word. But here too interest is interest in name only in the light of capitalist society. It is paid to the state, never as an expense to an absentee private saver. It is a bookkeeping item for the purpose of penalizing under-production and hence stimulating the nation's output. Last year the average rate charged to agriculture was 4%; to industry 6%, with variations from enterprise to enterprise.

Socializing Subsidies

Also most importantly contradicting the principles of private ownership is the radical philosophy regarding the hiring of workers. Excepting in agriculture and handicrafts, an individual cannot hire more than 10 workers. If there are more than 10 workers, the enterprise is automatically put under their control. The philosophy behind this is that private employment of labor exploits the working proletariat.

The extent of government subsidizing constitutes another element undermining the free market ideal. The policy along these lines is embodied in the following statement of the nation's economic boss, Mr. Vukmanovic-Tempo:

"As regards subsidies Yugoslavia heads the list of all countries throughout the world. And it is quite natural that a socialist country helps those who need help. . . . The system of subsidies as a whole should be examined fundamentally. Very often they are allotted to persons who do not need them, while at the same time those who are entitled to them cannot get them."

Decisions Reside with the State

Thus Yugoslav's system today manifests many sectors where the state rather than the individual makes the decisions. Supporting the claim of existence of the individual's alleged prerogatives versus a tightly-planned economy is the promulgated credit: that the "free price and credit system is used to channelize the development of future production." But, on the other hand, conclusively proving the pervasiveness of management by the state is the record of the effective devotion of the overall economy to the nation's industrialization. This has obviously been accomplished by state planning, via the holding down of personal consumption to 51% of the Gross National Product, the devotion of at least one-third of imports to industrialization, after having channelled 75% of imports into capital goods from 1946-1951. And there is a firm farm-mechanization plan to take place from 1955 to 1960.

* * *

The elements contradicting the market economy and the freedom of the individual, in the agricultural sector, as well as overall conclusions about the direction of Yugoslavia's economy, will be discussed in our final article on the topic in next week's issue.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks accomplished little in this week's trading, unless sinking deeper into the summer lethargy is noteworthy. In what was almost a repeat performance, the list was handled somewhat roughly in the initial session after which the familiar dullness took over again.

* * *

Volume occupied a somewhat exaggerated share of the attention, rather than price moves. This was primarily because volume is the key to how the figures come out in the brokers' ledgers and secondly because prices, while seesawing as is their wont, nevertheless accomplished little of importance either way for the bulk of the pivotals.

* * *

The daily total of transactions continued to hover around the lowest levels seen in the last four years, making it the sixth consecutive week that trading has been in the doldrums.

* * *

It is significant perhaps that the months of July and August have come to be the low-water mark months for trading in the last decade after a period when the slow months were haphazard and fell anywhere from February to November. January hasn't been the poorest month in any year since 1933 and December has never been the low point of a year on a monthly basis. In fact, it hasn't been since the breather after the 1929 break that December even posted the low week of the year.

* * *

Comfort From Volume

A handful of the technicians, however, derived a measure of comfort from the market's action. This is somewhat in the form of a negative accolade in that they figure, since the market failed to generate any important volume on declines, the underlying tone is one of good strength.

* * *

There is something to be said for this point of view. With the largest and more basic elements of our economy — textiles, agriculture, construction and autos—all having their troubles, plus the uncertainties of the Korean War, the list could be said to be holding a high degree of stability under trying circumstances.

* * *

From the technical point of view there is little of note, at least as far as the averages are concerned. They are still somewhat closer to the recovery highs than to the June lows, with plenty of room for swings even wider than have been seen in the last couple of weeks before a definite signal would be given either way.

* * *

Rails have been acting somewhat better than the industrials. The fact that the overhead resistance for the industrials is so much more congested than it is for the carriers still keeps the rails in the forefront as the shining hopes of the chart followers who are still anticipating a resumption of the stalled summer rally.

* * *

Analysts' Disgust

A new note is the fact that many analysts have virtually abandoned their usual practice of culling out selected issues which they think have a chance to do better. Instead have come a few odd — and accurate — complaints over the difficulty of making any worthwhile trading turns in the current market. Here, again, their disgust has validity.

* * *

New York Central, which has dominated the trading all year from a volume standpoint, has held all month in a range that barely exceeds a point. The low the first week of the month was 24 and the high 25¼, which leaves little room for a profit after commissions are taken out.

* * *

The sometimes erratic **Northern Pacific** has held in a 65-70 bracket which, again, considering the delicate timing required in the present market, is too narrow for comfort.

* * *

Baltimore & Ohio which, incidentally, was able to cross 30 in the 1946 bull market swing, has held within a point either way of the 24 median mark throughout July. **Chrysler's** swing has been over a three-point course while **Standard Oil of N. J.** has held inside two points, a spread no larger than that of the lower priced and active **St. Regis Paper.** Another popular trading stock, Socony Vacuum, hasn't even covered a full point this month. These narrow movements keep the game from being worth the risk.

* * *

Steady Yields

Measured by yields, the various groups have pretty much maintained their positions. Quality stocks still poorly regarded by investors in that their yields range from 8 to more than 9%, are the steels and coppers. Chemicals and electric-electron shares are still highly enough regarded to hold their ground on yields of only a bit better than 4%. Stocks of airlines—the field regarded rather widely as most promising once War II was out of the way—are selling at even lower yields but without indicating anything more than equally widespread disinterest.

* * *

As far as individual stocks are concerned, the weakness in the automotive issues was pronounced this week, **Studebaker** and **Nash-Kelvinator** showing a bit of real determination as they probed new low ground. The auto supply issues took the same ride, also without participating to any great extent in the boom in the auto business in recent years. **Electric Auto-Lite,** for instance, was able to sell above 80 in 1946 but the best it has been able to do with resumption of the theoretically high profit margin peacetime business was 56 in 1948, 49 last year and half a dozen points less even than that this week.

* * *

Response to Bad News

As a matter of fact, the market has been showing a tendency to respond far more readily to the bad news. Good earnings and even good dividend action have caused few ripples, a monentary lift being the best the affected issues could manage. **Du Pont,** despite a good pickup both in total profit and in operating results as well, has been far more prominent when there was selling going on than it was on the side of independent strength. **General Foods,** however, dipped dutifully and promptly on its trimmed earnings, and is continuing to reflect displeasure.

* * *

Moreover, the tendency has been even more pronounced among the non-quality issues, a fact that has been keeping the new lows consistently ahead of new highs for 17 full weeks now, with the sole exception of one happenstance day late in May when the highs exceeded the lows by the minimum margin of one, a 29-to-28 score. Since then the lows have outrun highs by from 3-to-1 to 6-to-1 on routine sessions and far more widely on days of pressure.

[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.]

Securities Salesman's Corner

By JOHN DUTTON

What Would You Expect From An Investment Advisor If You Were the Client?

The other day I got around to thinking about the people that buy securities from those of us who sell to them. Then I said to myself, "What if I were the customer, just what would I expect from the man who handled my account?" I made a list of a few of the things that would be essential to me before I might achieve a state of mind where I could whole-heartedly give him my confidence. See how this list stacks up with your own ideas on the subject:

(1) **I would expect and demand complete and sincere interest in my own welfare ahead of any other consideration of personal gain on the part of the securities salesman with whom I was dealing.** I would realize that he had to make a profit, or a commission, on my business, but I would want to feel certain that his profit was not the prime motivating factor behind his suggestions for purchases and sales into and out of my account. If I couldn't feel this way I would not deal with him, no matter how smart he looked, how well posted he seemed, or how great his experience. Nor would I ever continue to give him my confidence if he ever disappointed me in any way on his promises, his attention to my account, or his availability. If he ever became too busy to give my business the time and attention it demanded then I would not compromise with his time or make allowances for such a situation. My money comes hard, I work for it and I want it to work hard for me when I invest it. No man can have my business unless he too appreciates this as much as I do.

(2) **I would want to give my complete confidence to my advisor.** I would want him to know my goals such as: how much I should have in reserves for a rainy day, how much in "constant dollar" investments such as bonds, preferreds, savings accounts, etc., and also how much I would allocate to the purpose of augmenting present income, and how much I am investing for capital gains. Also, if I was interested in conservative investments I would not want him to offer me speculations, or vice-versa. In short, I have a goal in life. It suits me. It may not suit the other fellow but for me it's O.K. My investments are part and parcel of my overall way of living, spending, saving, investing and planning for the future and that of my family. Such a plan should be fully operative at all times. It could also need adjustments from time to time. My advisor should know all these things and the Lord help him if he ever forgot them and tried to sell me something that didn't fit into my plans. My financial future is too important to me for that.

(3) **I would want my advisor to know how to respect my confidence.** Period!

(4) **I would want my advisor to know his business.** He should be informed on the latest information and facts that are constantly pouring forth from all sections of this land day by day. He should be able to interpret these facts and give me suggestions that are based upon a co-relationship between my needs and requirements as an investor and the prevailing economic and financial situation as it is today and will be tomorrow. He should be alert—intelligent and informed. He should bring me special situations that fit into my requirements. He should know the difference between tips and hunches and scientific research planning that is designed to help me produce the greatest income and appreciation of my capital over the years ahead.

(5) **He should be a pleasant fellow, friendly, sincere and willing.** At no time would I wish to take advantage of such a man because I would know that he was the individual that I had been looking for and that I needed to assist me in accomplishing my most important thing in my life, next to my good health and my belief in the divine purpose of this existence, namely, my own **independence and peace of mind that comes from knowing that from out of my own toil and work I have been able to save something that will protect my family if they need it, and give me assurance that my later years when I cannot work so hard will also be independent and as pleasurable as those years when I was busy working and earning.**

Is this too much to ask? I think not. If you agree, I believe that when it comes to salesmanship all we have to do in the **last analysis is just remember what our clients want from us and give it to them.** After all, it's their money, their future and their lives that are important to them—just as ours is to us.

COMING EVENTS

In Investment Field

Aug. 1, 1953 (Chicago, Ill.)
La Salle Street Women Summer Luncheon at Shady Lane Farm, Marengo, Ill.

Aug. 19, 1953 (St. Paul, Minn.)
Twin City Security Traders Association Annual Golf Tournament and Field Day at North Oaks Country Club.

Aug. 20-21, 1953 (Denver, Colo.)
IBA Rocky Mountain Group-Bond Club of Denver annual summer frolic at Albany Hotel (Aug. 20) and Park Hill Country Club (Aug. 21).

Sept. 16-19, 1953 (Sun Valley, Ida.)
National Security Traders Association 20th Annual Convention.

Sept. 17, 1953 (Des Moines, Iowa)
Iowa Investment Bankers Association Field Day at the Wakonda Club.

Oct. 13-16 (Louisville, Ky.)
Association of Stock Exchange Firms Board of Governors Meeting.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

June 9-12, 1954 (Canada)
Investment Dealers Association of Canada Annual Convention at Jasper Park Lodge.

Profit Sharing

By ROGER W. BABSON

Asserting there is no panacea for the labor problem, Mr. Babson points out profit sharing plans grow with prosperity and decline in periods of depression. Stresses business management as source of profits, and says profit-sharing rewards depend little upon wage earners.

There is no panacea for the labor problem. It began when one man started to work for another. It will continue so long as there is an employer - employee relationship. When I was Assistant Secretary of Labor I was asked to speak on labor problems before a Washington audience. On my way to the appointment I stopped in William B. Wilson's office and asked for some suggestions. He replied: "You might begin by telling them that 100 years from tonight someone will be speaking on the same subject on the same spot."

Roger W. Babson

Profit Sharing and Prosperity

Profit Sharing Plans grow with prosperity and decline in periods of depression. Most Profit Sharing Plans are for wages only—are not dependent on the productivity of the workers, but dependent mainly on the ability and generosity of the management. The business boom during and following the first World War brought the profit sharing idea to the notice of the general public. There are numerous Profit Sharing Plans in operation in the United States. Many have prospered because we have had boom business, with increasing profits. The real test will come when earnings decline and when there will be no profits.

The recent large earnings of industry have stimulated Labor Union leaders to ask and re-ask for increased wages. Seven rounds have been granted and we are now facing a request for an eighth round. This demand will meet with stronger resistance than previous demands because business is looking ahead to readjustment and lower profits. After all, profit sharing depends on profits — no profits no profit sharing. Labor Union leaders are not asking for profit sharing, but for annual wages and fringe benefits. They realize that fundamentally profits depend on management and business conditions. A business may make a million dollars in one year and fail the next year!

Profits Are a Managerial Problem

How a business enterprise is managed determines its success or failure. The management must pay the current rate of wages. If it is necessary to borrow money, to increase the plant's facilities so that more labor can be employed, management must pay the current rate of interest on outstanding bonds or else go broke. Management must meet stiff competition for goods produced and is, therefore, restricted as to what is received for commodities produced. Furthermore, a manager must be a business forecaster, expanding facilities when a period of good business is coming, but trimming his sails when a period of readjustment is in the offing. On top of all this, his company must pay heavy taxes. After all these obligations are met, if there is anything left, that is profits. The raw material purchaser is a great factor in determining profits.

It, therefore, is seen that profit sharing rewards depend little upon the wageworkers. Such plans are most successful in large business enterprises that are well-established and managed, especially if producing a patented product having a continual demand in war or peace. Profit sharing is often hard on small business concerns, because they do not have the reserves to carry them through readjustments or to constantly advertise. *Profit sharing is a one-way street.* It may act as a wage-sedative during periods of prosperity and good earnings, but as a source of trouble if a company suffers a loss. Labor is willing to share profits; but is not willing to share losses.

Speaking From Experience

I gave away over one million dollars to my employees from 1913 to 1925. There is no doubt but what the money passed out did a lot of good to the recipients. I am glad that we tried the experiment and gave it a thorough test. Profit sharing was only a part of the program—we really tried industrial democracy. Both came to an unfortunate ending. Since then better plans have been tried by others.

Hanrahan Adds to Staff

(Special to The Financial Chronicle)

WORCESTER, Mass. — William H. Magruder has become affiliated with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange.

Arnold North Is Now With Harriman Ripley

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Arnold North has become associated with Harriman Ripley & Co., Inc. of New York. He was formerly with Real Property Investments, Inc. and Dean Witter & Co. Prior thereto he represented National Securities & Research Corporation and Hugh W. Long & Co. on the coast.

Joins Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass. — Norman I. Midgley has become connected with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Kidder, Peabody Branch

Opening of a new Kidder, Peabody & Co. branch office in White Plains, N. Y., is announced today (July 23) by Milton Fox-Martin, manager of the firm's central mutual funds department. Thomas V. Flynn, who has been associated with Kidder's mutual fund department since 1950, has been named manager of the White Plains branch.

Paine, Webber Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Harold F. Nordberg is now affiliated with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges.

Measuring Depression Factors

By WILLFORD I. KING
Economic Analyst

Dr. King reviews fancy and fact concerning current depression danger, and presents what he terms a "Key Ratio," which might be used as a gauge. Concludes, however, needed data are not yet available.

In recent months, more and more of the business prognosticators have been forecasting depression ahead. Are their forebodings justified? Let us consider a few of the reasons for their gloom.

Willford I. King

It has frequently been asserted that prosperity cannot be maintained unless there is heavy investment in new plant and machinery, or unless new industries are developing. This is putting the cart before the horse. New plant and equipment appear primarily in response to accelerated demand for finished goods. New industries spring up when many people come to believe that new products furnish more utility per dollar than do old products.

If the continuance of prosperity is dependent neither upon activity in the construction industry nor upon the development of new products, what are, at present, the principal bases for foreboding? First and foremost is the fear that a truce in Korea will lessen government spending. Suppose that it does. Will this spell disaster?

To reply in the affirmative implies endorsement of the idea that destruction is the price of prosperity—a notion so illogical that its acceptance by any competent reasoner seems incredible. Suppose that peace were to be assured tomorrow. Then, almost certainly, Congressman Reed and his allies would succeed in their efforts to cut taxes, and you and I and a hundred million other Americans would have more money to spend for things we've been wanting to buy.

But someone will point out that warehouses are filled almost to capacity and that the demand for civilian goods is now about saturated. Passenger automobiles have multiplied until they have more than enough capacity to take all Americans riding at once—yet our automobile factories have been running close to capacity. So many new homes have been built that reports from various localities indicate that it is becoming difficult to find buyers or tenants for older dwellings. Nearly every family in the nation has one or more radios; and now every six weeks sees a million added to the nation's supply of television sets—a rate of output which, if continued, would, within five years, furnish a new set for every household. Do not all these indicators spell satiation and therefore lack of future demand?

Before answering this question, just ask yourself this: "How many of the people I know, if their incomes advance, will be weighed down by the problem of how to spend the extra cash?" You know the answer. So depressions are never brought on by want saturation.

If the factors just discussed have no tendency to produce depressions, just how can one explain the fact that, at various times in our past history, a boom like the one we are now experiencing has, within a few months, turned to recession and then depression?

The assertion is frequently made that each business recession has a different cause. However, as I have shown at length elsewhere, the best avaliable statistical evidence indicates that, while contributing factors vary, each slump is, in the main, due to the same dominant force—that is a decline in the size of the "KEY RATIO";—which is

Net New Spending Power
The Average Hourly Wage Rate

This "KEY RATIO" determines the total *physical volume* of goods which will be bought by all of the customers in the nation, and hence constitutes *the* barometer of business prosperity.

The numerator of this fraction—in other words, *net new spending power*—equals the algebraic sum of the *national income* and any *CHANGE in the total volume of circulating medium.* Our circulating medium consists mainly of *demand deposits* in banks, and is augmented by a sizable supply of *pocketbook money.* The Government alone has power to coin or print money, but both the Government and the banks can, and often do, participate in the creation of demand "deposits." These come into being whenever either private parties or governmental bodies borrow from the banks. And the deposits which they create stay in circulation until the loans are paid off.

Careful statistical analysis indicates that, in a period of a decade or so, individual spending for consumption and investment combined closely approximates aggregate personal income for the period. But this does not tend to be true every *year,* for, in periods of over-optimism, such as we have experienced recently, people borrow to buy durable goods, and their borrowing increases, either directly or indirectly, the volume of demand bank deposits. This causes *net new spending power* (the numerator of the "KEY RATIO") to grow, strengthens total demand, and tends to make business volume expand.

Experience shows that every period of widespread optimism is shortly followed by a period of general pessimism in which most people fear going into debt, and creditors generally are anxious to close out risky loans. In such periods, therefore, bank loans tend to be curtailed, and their reduction, if not offset, causes the volume of demand deposits to shrink, thus reducing the amount of circulating medium. And remember that any such reduction must be *subtracted* from the national income in order to arrive at the numerator of the "KEY RATIO." Note also the fact that any shrinkage in the numerator of the "KEY RATIO," *unless offset by other factors in the "KEY RATIO,"* cuts down demand for goods, and thus initiates recession.

At present, the danger signals are flying. Of this there can be no doubt. Total consumer credit has advanced from $5,357 millions in February, 1945, to $23,734 millions in January, 1953; and, largely as a result, total circulating medium has grown from $110.2 billions in March, 1947, to $132.0 billions in January, 1953. And now lenders are beginning to tighten up, and creditors are getting more interested in collecting. So a shrinkage in the numerator of the "KEY RATIO" may well be in the offing.

Furthermore, the labor monopolists have become accustomed to getting advances in wage rates at frequent intervals. Undoubtedly, they will fight vigorously to continue this custom. And if, in the near future, a shrinking numerator is accompanied by an expanding denominator, the size of the "KEY RATIO" may fall rapidly. If this happens, the total demand for goods will drop, production will fall, and workers will be laid off. And if this occurs, the national income will shrink, thus reducing still further the size of the "KEY RATIO": Any such reduction acts like the trigger which releases the cars on a roller coaster. The recession, once started, furnishes its own momentum, and, if not checked at the outset, soon develops a rapid downward movement in business.

And this decline will not be retarded in the least by Governmental doles such as social security or unemployment benefits, or by public works programs, for all that these do is to shift spending power from one group of potential buyers to another. The size of the new spending power *total* is not affected.

A prominent business commentator recently asserted that, if national defense drops, the economy will be propped by current population growth which is running at 2.6 millions per annum. What he overlooked is the fact that new wants increase demand only when they are accompanied by new buying—something not furnished by the baby crop.

But even if, in the near future, optimism gives way to pessimism, it is by no means safe to assume that the "KEY RATIO" will actually decline and thus start a recession. Present indications are, indeed, that, despite vigorous efforts to balance the budget, the Federal Government is likely to run a sizable deficit during the next year or more. If, either by intent or accident, Government indebtedness to the commercial banks is increased sharply, any shrinkage in the volume of privately generated deposits, and any increase in average hourly wage rates may be offset. In this case, no depression will occur, full employment will continue, profits will stay high, and there will be no severe crash in the stock market.

What then is the actual outlook for business? To answer this question it is only necessary to foretell the future of the "KEY RATIO." Easy, isn't it? But just where does one find the needed data?

Cunningham-Cleland Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—The Cunningham-Cleland Company has been formed with offices at 530 Broadway to engage in the securities business. Partners are John A. Cleland and Thomas M. Cunningham, general partners, and Anthony D. Madruga and Mrs. Ruth W. Cunningham, limited partners. Mr. Cunningham and Mr. Cleland were both previously wtih Merrill Lynch, Pierce, Fenner & Beane.

Inland Secs. Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Walter F. Kusay is now engaging in the securities business under the firm name of Inland Securities Co. from offices at 505 West 119th Street.

R. S. Bernhardt Co. Formed

BUFFALO, N. Y.—Raymond S. Bernhardt has formed R. S. Bernhardt Co. with offices in the Ellicott Square Building to engage in the securities business.

Manhattan Investors Co.

Harold Bogart and Bernard Stein have formed Manhattan Investors Co. with offices at 150 Broadway, New York City, to engage in the securities business.

Crushing Incentive For Equity Investment

By EDWARD T. McCORMICK*
President of the American Stock Exchange

Calling double taxation of dividends unfair, unjust, and destructive of equity investment, Mr. McCormick recommends a tax credit on dividend income, or allowance of a deduction from gross income for dividends received. Says these measures would aid in increasing equity financing.

At the outset let me say that as a citizen I firmly believe that everyone who participates in the great benefits granted to those who live in this country should bear his fair share of the necessary costs of government; and that none of us should oppose any fair and equitable tax levied upon us to pay such costs. There are, however, a few taxes, which have crept into the Internal Revenue Code over the past few decades which are eminently unfair and inequitable and which, in my opinion, your Committee should take steps to have rectified as soon as is feasible. One of the prime examples of such inequitable taxation is the double tax on dividends which, I believe, was first assessed as a part of the normal tax structure back in 1936.

E. T. McCormick

Under this form of taxation a shareholder is taxed not only on the net income of the corporation in which he holds his shares, but again when a portion of that income is distributed to him as a dividend. To my knowledge, no other form of individual income, whether it be rents, royalties or interest, is subject to such a dual assessment.

If the Congress were intentionally to seek for a means of destroying the incentive of investors to place their funds in equities, it could hardly have devised a better or more effective means for accomplishing that purpose. To many investors in the middle income group and above, those who can afford to take the risks that equity investments involve, the prospective returns in corporate earnings are so inequitably taxed that they find inadequate incentive to invest their funds in the expansion of seasoned industries or the development of new growth enterprises.

To keep our free enterprise system healthy and growing, it is essential that it be able to draw upon a continuous supply of fresh venture capital. The retained earnings which corporations have been living upon to a great extent cannot meet the future needs of our economy. Since the second world war undistributed corporate profits and depreciation allowances supplied approximately 60% of the total requirements of domestic corporations for new plant, equipment and working capital. But the high tax level combined with extraordinary costs of production is gradually reducing this source of equity—a source which is not available to new enterprises in any event. The danger, it seems to me, is that, with equity funds reduced in supply, corporate enterprises will be forced more and more into the debt market with resulting unfortunate consequences in the event of a business recession or depression, or will be forced to obtain their funds from the government, an alternative which we all agree we must avoid.

In the years 1946 through 1949, for example, non-financial corporations obtained on the average 64% of their capital from retained earnings, only 6% from new equity financing and 30% from debt. But mark the trend — in 1951, such capital was derived: 43% from retained earnings, 6% from new equity financing, and 51% from debt. New equity capital from the issue of stock has amounted to less than $2 billion annually since the second world war. On the other hand, corporate debt has grown from the end of that war through 1951, from $85 billion to $156 billion.

This great increase in corporate indebtedness caused in large measure by the shortage of adequate venture capital, presents a danger not only to the corporations thus forced to saddle themselves with such loans, but to the entire national economy as well. While the danger may not be immediate, it is nonetheless a real and threatening cloud overhanging us. Such excessive reliance upon debt as a source of fresh financing is both abnormal and unhealthy. To make equity investment both feasible and attractive several steps may be taken by the Congress. One of the chief ones is a step toward alleviation of the existing inequity caused by the double taxation of dividends.

While I firmly believe that there is no place in our tax structure for a tax which is admittedly inequitable, I must confess that I do not believe that it would be feasible for the Congress to abolish at one stroke this double tax on dividends, although its announced program should point toward its ultimate abolition.

What the Congress might do, as a temporary expedient, is allow investors a tax credit in some appropriate percentage such as 10% on dividends received. It might well add an allowable deduction from gross income in the amount of $200 of dividends received or some such figure, with the option to the taxpayer to take either the percentage credit or the dollar deduction.

While the adoption of such a measure would, of course, result in an immediate reduction in the amount of taxes received, it is my opinion that, in the long run, not only would the country benefit substantially to the extent that these tax free funds are re-invested in the building and maintenance of our economy, but also the tax revenue of the government would be increased proportionately by reason of the increased taxable earnings of such corporations.

In short, probably no greater stimulus could be given by the Congress to our free enterprise system, and no greater inducement given to corporations to slow their rapid accumulation of dangerous debt obligations, than the present alleviation in some degree and the ultimate abolition of this ill-conceived and unfortunately perpetuated double tax.

*Statement by Mr. McCormick before the House Ways and Means Committee, Washington, D. C., July 16, 1953.

Oliver S. Campbell

Oliver S. Campbell, member of the New York Stock Exchange, passed away, July 11.

Double Taxation of Dividends—A Triple Penalty on the Investor

By G. KEITH FUNSTON*
President of the New York Stock Exchange

Calling for a 10% dividend tax credit as a first step toward establishing a sane and sound Federal tax program, Mr. Funston tells of success of this measure in Canada. Contrasts adverse tax position of stockholder with that of real estate owner, who pays tax only once. Calls attention to impact of double taxation in discouraging equity investment and in inducing corporations to finance through debt creation.

My remarks today will be directed to the effects of the present discriminatory double taxation of dividends on the well-being of the nation's economy. By double taxation of dividends I mean the taxing of the same earnings first in the hands of a corporation and again when they are distributed to stokholders as dividends. At a later date I hope to present suggestions for improving the capital gain and loss provisions of our tax laws. Taxation of capital gains and double taxation of dividends are Federally-erected twin dams holding back the free flow of life-giving venture capital into American industry.

G. Keith Funston

I hope you will accept my views as those of an individual citizen as well as the chief executive officer of the nation's largest organized securities market. My interest is in perpetuating and strengthening the private competitive capitalism of this country. The long-range goal of the Stock Exchange is to spread the benefits of American Capitalism more widely among the entire population; in short, to make this a nation of share owners.

Because the New York Stock Exchange is the market place for the securities of the nation's outstanding corporate enterprises, the views I bring you represent also, in large measure, those of American business. There are nearly 2,500 issues of stocks and bonds listed on the New York Stock Exchange. They represent the ownership and the funded debt of nearly all the leading corporations in this country—about 1,300 different enterprises.

More important, I believe I can speak as a representative of the nation's 6,500,000 individuals — whose families have 13,015,000 members; men, women and children—who have invested their savings in the ownership shares of publicly-held American corporations.

Double Taxation of Dividends of Recent Origin

Double taxation of dividends has not always been part of our tax structure. From 1913, when our present Federal Income Tax started, to 1936, dividends received by an individual were exempt from the normal tax. Only the surtax applied to dividend receipts. Initially, the corporate rate was identical with the normal rate for individuals, so that, effectively, dividend income was not taxed twice. Following World War I, the corporate rate was raised a few points above the normal rate for individuals—but the impact of this double taxation of dividend income was relatively light.

However, as part of the tax program of 1936, dividends received by individuals were subjected to full taxation for the first time by the elimination of the previous exemption of dividend income from the individual normal tax.

You will recall that 1936 was the year of the undistributed profits tax experiment. Examination of the tax hearings for the period make it clear that the original purpose was to provide equality of taxation of all corporate income whether distributed to share owners, or retained by the corporation. The theory advanced by its original proponents did not include double taxation. However, as finally passed, the bill not only made both distributed and undistributed earnings taxable at the corporate level, but taxed distributed earnings again in the hands of individual share owners.

Double taxation of earnings distributed as dividends has continued since. As rates have risen, Federal taxes have swallowed a larger and larger share of corporation profits—as well as a larger and larger portion of those distributed in dividends to share owners.

The point I want to make is that double taxation of dividends is of comparatively recent vintage and that it slid into our tax system not by design but as an unintended part of a discredited and abandoned experiment.

A Comparison of Tax Liability

Compare the tax liability of the individual who invests $10,000 directly in real estate—say an apartment house—with that of the individual who invests the same amount in the shares of a real estate corporation, which might put $10,000 in an apartment house across the street.

In the first instance—assuming earnings of 6% — the investor's $600 income is taxed only once, at his regular income tax rate. If he is in the 30% bracket, he retains $420 after taxes.

The second investor's $600 share of the corporation's earnings, however, goes through the wringer twice. Initially there's the corporate tax, ranging from 30 to 70%, if the excess profits tax applies. At 52%, the typical rate, the $600 available for dividends shrinks to $288. That's one bite. Then comes the income tax which the individual must pay on the earnings of $288 coming to him in the form of dividends. If he, too, is in the 30% bracket, he ends up with only $201 of the $600 of original earnings. But the man who invested directly in business real estate keeps over twice as much, or $420 of the $600 earnings.

Is it equitable that the investor who is a stockholder should net after taxes only $201 of $600, when another individual making a similar direct investment would net $420 out of $600? Clearly, the stockholder is being discriminated against. Interest on bond investments, wages, fees, commissions, and other sources of individual income are subject to no such double erosion.

Our tax laws are definitely unfair to the savers who, through their shareholdings, own part of American industry. If there were only a few share owners of American industry—of great personal wealth — there would be little public interest in correcting the inequities involved in taxing dividends twice. But this is not the case. Nearly 5,000,000 share owners, or more than three-quarters of all the people in this country who hold shares of publicly-owned corporations, are in families with annual incomes of less than $10,000. The share owner is a farmer, an executive, a housewife, a plumber, a craftsman, or an unskilled laborer. The share owner is a woman in her 20s or a man in his 60s. The share owner lives in California, in New York, in Texas—any place on the map you may put your finger.

Whether he pays the mimimum tax of 22.2% on his dividend income or the maximum 92% depends, of course, on his financial status. If his taxable income is as small as $2,000, he pays 22.2% on top of the tax which the corporation has paid already on those same earnings.

These savers are quite aware of this double taxation and quite naturally seek to avoid it. When a young company sets out today to sell its common shares, investors with sufficient income to afford the risk tend to shy away. Other opportunities for investment, where the earnings are not subject to this punitive double taxation, make equity investments relatively less attractive.

A Monkey Wrench in the Mechanism of the Economy

And what is the result? A monkey wrench thrown in the mechanism of our economy. New enterprises seeking to create new wealth and productivity are unable to attract the equity capital they need. That's the problem we face. Men and women who have funds to invest in equities must have incentive to do so. They must be shown that it is to their advantage.

Beyond the injustice done the equity investor in confiscating a big part of the earnings on his savings and the consequent drying up of the sources of equity funds—for small business, as well as large—the present double tax on dividends also encourages many enterprises to meet their capital requirements by borrowing, rather than through equity financing.

The sale of equities is unattractive to corporate management when the market value of their shares is less than book value, when market prices represent a low rate of capitalization of earnings and when bond financing is possible on a much more favorable basis in terms of cost. These all result from an inadequate supply of equity funds.

How has industry been raising the vast sums of new capital it must obtain to give employment to our ever increasing labor force and to provide the necessities and conveniences which the American people seek? The answer is not a happy one—nor one that augurs well for the future. For the seven years, 1946-1952, the long-term debt financing and bank loans of corporate industry totaled $40 billion, more than three-and-a-half times the $11 billion obtained from new stock issues. Government officials, economists and business leaders alike have warned of the dangers inherent in this trend.

It is axiomatic that a top-heavy debt makes corporate financial structures acutely vulnerable to changing business tides and strait-jackets corporate flexibility. Bond interest is a fixed lien on earnings which must be met, irrespective of what may be best for the company and its owners over the long pull. Making the purchase of shares more attractive to the investor will enable industry to sell new shares more readily and result in a healthier balance between share capital and debt.

Remedies Proposed

Several different remedies have been proposed for eliminating or lessening the present double taxation of dividends. One is to exempt dividends from part of the income tax on individuals. This is the system that Canada adopted in recent years. Another is to treat corporate profits in the same way as partnership earnings, assessing income taxes on individuals only. A third is to permit corporations to deduct dividends paid when computing their taxable income, just as they may deduct interest on bonds and other debt. Still another is to follow the British practice of considering corporation taxes as withholding taxes paid by the corporation for the share owner. The latter then reports his share of the corporate earnings and the tax paid on it by the corporation.

If I were to offer my recommendations solely from the standpoint of equity and justice for the share owner, I would urge most strongly that the present double taxation of dividends be eliminated completely, and that dividend income be entirely exempt from personal taxation to the extent that taxes have already been paid by the corporation.

I realize, though, how great is the Government's need for revenue.

Let me propose, accordingly, a course of action which will not cut tax revenues dangerously but which will give management, labor and capital new incentive to build a stronger and more productive nation.

I propose that dividends be made exempt from part of the individual income tax schedule—and, as a first step, that a credit of 10% of the amount received in dividends be allowed against the individual's income tax liability. In other words, an investor with $500 of dividends would compute his tax exactly as he now does and then deduct 10%, or $50, from his tax. This would be the same as taxing his dividend income at 10 points less than he is now taxed. If this recommendation appears to be overly modest, let me emphasize that it is offered only as a start toward establishing a sane and sound Federal tax program.

Just as soon as the Federal budget permits, a second step should be to increase the tax credit to 22.2%, thus completely eliminating double taxation of dividends for people in the lowest tax bracket.

The advantage of this approach is that it is simple and presents no administrative problems. It would give a degree of relief to all investors. In passing, it is worthy of note that this system appears to be working well in Canada, which, in 1949, started with a 10% dividend tax credit and, this year, increased the credit to 20%.

I am convinced that even a 10% credit at this time would benefit all of us by broadening public ownership of the nation's resources, by encouraging business expansion through the issuance and absorption of new equity securities, and by stimulating employment. Although, initially, a 10% credit would involve a revenue loss of from $650 to $700 million, this loss would be more than offset within a few years by new tax revenues resulting from the stimulus which adoption of this program would give all American corporate business.

Just one thing more; and I hope you'll forgive me if it's personal:

Some 15 years ago my income was considerably less than it is now. I managed, though, to save a thousand dollars—after taxes. I invested those savings in shares of a company listed on the New York Stock Exchange. When I got my first dividend check it was a pretty satisfying moment—that is, until I realized my savings had undergone three separate Federal tax bites:

First: When I had earned the money.

Second: When the corporation earned a profit by employment of my savings, and

Third: When I, as an owner of the business, was taxed again on my dividend from those earnings.

Now we Americans enjoy a triple play in baseball; applaud the triple threat football player. I'm sure that I am on safe ground, though, when I question our enthusiasm for the triple penalty on the United States investor.

*A statement by Mr. Funston before the House Ways and Means Committee, Washington, D. C., July 16, 1953.

Geo. Young Now With Kay, Richards & Co.

PITTSBURGH, Pa.—George R. Young has become associated with Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. Mr. Young was formerly President of Young & Co., Inc. which has ceased operations as an investment dealer. Other personnel of the company has also become associated with Kay, Richards & Co.

George R. Young

First Boston Group Underwrites Boston Edison Co. Offering

Distribution of 246,866 additional shares of $25 par capital stock of Boston Edison Co., was commenced Monday (July 20) with the offering to the utility's stockholders of the new shares on the basis of one share for each 10 shares held of record on July 16, 1953. The subscription price has been set at $45 per share. The offer, which represents the first equity financing by the 67-year old utility in 18 years, will expire on Aug. 3, 1953, at which time an underwriting group headed by The First Boston Corp. will purchase from the company any unsubscribed shares.

The utility has paid dividends on its capital stock in each year since 1890. Since 1949, quarterly dividends totaling $2.80 per annum have been paid.

Proceeds from the financing together with available cash, will be used to retire $12,000,000 in short-term bank notes incurred for construction. The company estimates that approximately $106,-[illegible] will be expended during the five year — 1953-57 — period. Principal items include additional generating capacity, extension of transmission facilities and expanded transformer capacity.

The company's principal business is the generation, transmission, distribution and sale of electricity, to customers in Boston, and adjacent suburban and rural areas.

Total operating revenues for the 12 months ended May 31, 1953 amounted to $80,394,194 and net income was $8,283,591, or $3.3[illegible] per common share outstanding at that date.

Three With Foster Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Gordon R. Moore, Carl B. Nabb, and Robert J. Willey have become affiliated with Foster & Marshall, United States National Bank Building.

Continued from page 4

A Look at the SEC Prospectus Requirements

"Doc and Roe" have picked up for a few dollars some options on land under the ocean which had been abandoned by a major oil company on the ground that dry holes and geological tests convinced that company of the complete absence of oil. "Doe and Roe," through an intermediate corporation, sell their rights to "Fly-by-Night" for a million dollars' worth of stock. They file a proposed prospectus with the SEC, omitting therefrom the unfavorable reports made by the engineers of the large oil company and the fact that the land is under water.

Now a very interesting procedure takes place. The experts on the Commission's staff go over the prospectus with a fine-tooth comb and discover certain deficiencies. These are transmitted to "Fly-by-Night" in a so-called "deficiency letter" which, in fact, means that the Commission will not grant acceleration of the offering date unless these defects are corrected. The Commission staff finds the engineer's reports and insists upon their inclusion. It insists that the fact that the land is in the ocean be stated. Finally, after several other letters, the defects are all set forth in the prospectus, and what was formerly a clearly misleading prospectus, has now become an accurate description of the affairs of the company. While the final product is certainly sufficient to warn any sophisticated investor from purchasing stock in "Fly-by-Night," unfortunately, the securities will be sold by enthusiastic salesmen, combing the financial hinterlands of the United States, to uninformed small buyers who will, in all probability, lose their shirts. What then has been the effect of the registration with the SEC of "Fly-by-Night" stock? It has served the necessary and meritorious function of warning off the sophisticated buyer. It has not had this effect on the little purchasers to whom the stock is sold. As far as they are concerned, the effect of the deficiency letter procedure has been to **insulate** Messrs. "Doe and Roe," as well as "Fly-by-Night," **from liability** based on claims of misstatements or omission of material facts which might otherwise have been made, if the Commission had not toiled night and day to make the prospectus a complete one (and a legally airtight one).

While some will shrug off this criticism of the Act on the ground that it was not designed to help people who just won't read financial statements, I keep wondering whether after all there is not some way in which the Act could be administered so as to afford greater protection to the victims of near swindles and, at the same time, cut down on the useless nuisance and expense to the large reliable issuer.

Why Not Abolish the Act?

It has been suggested from time to time by a few economists of note, that the Act has served its purpose and should be abolished. I cannot agree. The Act is fundamentally a good one, and does today what it did in the middle thirties. It is essential for the protection of investors. It gives information to purchasers of securities provided only they will read it, and it offers safeguards to the public which must be continued. There are just a few areas —and I think the prospectus requirement is one—where chafes have developed which can be cured by a change in regulations or by amendment. If such changes are out of the question, I would far prefer to see the Act unamended remain in effect than to have it recklessly abolished.

A Possible Solution

We all know it is far easier to point to a defect than it is to find a cure. Yet to stop after the first phase is to do very little. Accordingly, with a good deal of diffidence, I suggest the following:

The present registration and prospectus requirements should be relaxed if the issuer met certain tests. For example, in the case of an issuer whose securities had been listed on a National Securities Exchange for a period of ten years, and where the dollar value of trading in such security had exceeded $500,000 per annum, a new issue of the same security or of senior securities should be exempt from the prospectus requirement, provided that the new issue did not exceed a small percentage of the previous capitalization. A very simple type of registration revolving around financial statements, both actual and *pro forma*, would be sufficient for companies whose securities have been listed for a shorter period, or where the trading is less active, or where the new issue represents a larger percentage of the former capital. A third category requiring full registration would involve those securities not having an active market, or where the new capitalization is so different from the old that, in effect, a new security is being issued. Finally, in the case of promotional enterprises, there would be a full registration, plus a clear warning in large red letters on the face of the prospectus that the enterprise is speculative in nature.

How can the foregoing be accomplished? By the terms of the Act, the Commission is given broad powers to change the requirements of the prospectus and registration statement. Using these powers, the Commission has recently promulgated a rule which will very substantially reduce the amount of information necessary in prospectuses where stock is sold only to employees of the issuer. Why not then take the next step and grant similar relaxations to seasoned and actively traded securities? To dispense entirely with any prospectus would, I am afraid, require an amendment to the Act, but possibly the legislative obstacle might be overcome by permitting a prospectus which did little more than state the name of the company and a one-line description of its stock. But whether the means adopted be new regulations or outright amendment, I believe the experiment is worth a good sincere try.

Modest though the change might seem, I am sure that vigorous objections would be made. Some of the more important ones probably would be the following:

(1) **Protest might be made that the Commission could not adequately classify the securities.** This is nonsense. Similar classifications are now being made by State Security Commissions under various blue sky laws, and being done well. A Commission that has successfully met the complex valuation problems fostered by the Public Utilities Holding Company Act of 1935, would have little trouble in this new field. Its staff would have to be somewhat increased, but the added expense would be repaid many times over by the savings occasioned through the elimination of useless prospectuses. Indeed, the registration fee might be somewhat raised so that this branch of the SEC work would be entirely self-supporting.

(2) **State Security Commissions probably would assail the proposal as an encroachment on their jurisdiction.** To a very limited extent, this might be true, since at present they are the only bodies that attempt to catalog certain types of securities. On the other hand, it certainly is more economical to have the job done by one central agency than separate identical jobs done by the various States. The need for State Commissions remains as strong as ever. Within its own State, a commission has powers far broader than the SEC. It can absolutely bar the sale of a security solely on the basis of lack of value, whereas the SEC does not have and, in my opinion, should not have such power. The SEC could only decide what form of registration and prospectus could be required upon the offering.

(3) **Over - the - Counter dealers might claim that the proposed tests favor listed securities at the expense of the over-the-counter market.** Again, to some extent, I suppose this is true, but listed securities now labor under so many restrictions, particularly those of the Securities Exchange Act of 1934, that some compensating advantages may be appropriate. Also, the above categories are tentative and by no means inflexible. Perhaps the securities of certain banks and insurance companies which, after all, are controlled by other branches of the State or Federal Government, might be given similar advantages, although unlisted.

(4) **The objection could be made that the proposed procedure might tend to make venture capital more difficult to obtain.** It is certainly true that in the light of retrospect all of the great corporations would have been considered speculative when they first opened their doors for business. New ventures must and should get capital. This capital, in this writer's opinion, should be obtained from people financially able to take a flyer or from people so close to the enterprise that they have both knowledge and confidence in the venture. Such capital should **not** come from people who cannot afford the failure of the enterprise and who invest in ignorance of the risks involved.

Conclusion

In a nutshell, while the Act itself is essential for the protection of investors, the registration and prospectus requirements now often lay their heaviest burden upon the soundest companies, and those where disclosure is least necessary. The burden should therefore be lessened on companies whose securities are time-tested, widely traded, and where the offering price is determined by the market. Conversely, even greater warning should be given to the investing public in the case of extremely speculative issues.

Senator Byrd's Appraisal

"Unless Congress increases taxes, the government is going to be faced with another $10,000,000,000 deficit [in the current fiscal year] and it will be almost impossible to balance the budget in the next year.

* * *

"With expenditure in fiscal 1954 of $74,000,000,000 * * * we must reduce expenditures in fiscal 1955 to the extent of $14,000,000,000, which I do not believe is possible. * * *

Harry F. Byrd

"Therefore we may expect another large deficit in fiscal 1955, making three huge deficits in succession. These three deficits will run the debt up to at least $285,000,000,000, and there is no assurance that there will be a balanced budget for fiscal 1956."—Senator Harry F. Byrd.

For many years Senator Byrd has been a most faithful watchdog of the Treasury and not only of the Treasury but of Congressional spenders. What he now has to say certainly does not make cheerful reading, but let us not be so foolish as to brush it aside.

The New Illinois Securities Law

New statute, which becomes effective Jan. 1, 1954, cancels and eliminates several provisions of present law, one provision removed is that which specifies securities registered for sale be graded. Fraud penalties increased.

With the recommendation of the Illinois Secretary of State, Charles P. Carpenter, the Illinois Legislature has enacted a new securities law, which eliminates or modifies many provisions of the present state "Blue Sky" Securities Act.

According to a memorandum concerning the changes resulting from the new statute, the old Illinois law, which was originally enacted in 1917, had certain inconsistencies and ambiguities which were detrimental to the investing public, and therefore the investing banking business.

The new law is based on the theory of the old law, and follows the general pattern, namely: Defining terms, defining exempt securities, defining exempt transactions, setting forth provisions for registration, providing for registration of dealers and agents; prescribing penalties for violation and vesting administration of the law in the Secretary of State.

New Terms: The term "controlling person" is defined for the first time under the Illinois Securities Law, and the definition is sufficiently certain as to remedy the criticism leveled at the term "controlling person" as defined by the Securities Act of 1933.

The new law requires registration for sale of securities by a controlling person. It does allow a secondary distribution of securities by a party not a controlling person, without registration.

Exempt Securities: The new law broadens the exemption for subscribers to, stock of any corporation, and not just an Illinois corporation. The exemption in the old law was restricted to subscriptions to stock of Illinois corporations, and it is impossible to form a Delaware corporation in Illinois without violating the Securities Law.

Securities of cooperatives are exempt if the capital stock and surplus of the corporation is limited to $50,000 and the amount of stock to be held by any one member cannot exceed $1,000.

Exempt Transactions: One of the greatest criticisms leveled at the present law is that it made no provision for exempting the sale of securities to a small number of people who already have an adequate knowledge of the financial position of the Issuer. The new law provides that if a report of sale is filed within 30 days after each sale, that 15 persons may be sold securities in any period of 12 months without registration. A special exemption is provided for oil and gas leases, so that up to 15 fractional interests in any oil and gas lease may be sold without registration, but with a report of sale.

Registration: The purpose of the change in the registration section of the new law is to simplify procedures of registration and to eliminate, so far as possible, unnecessary duplication of material required for registration by the State of Illinois and the United States Securities and Exchange Commission. The old classifications of A, B, C and D securities are eliminated. In addition a very vexatious problem, under the old law, has been eliminated by conforming the requirements of certification of financial statements to the requirments of the SEC. Briefly, the new law provides for a very brief registration form for securities of Issuers which have certain earnings. The regulation is limited to the requirement of the filing of the prospectus. Other securities being registered with the SEC which do not meet the earnings requirements are registered by description and all other securities are registered by qualification. All registrations under the new law are effective for a one-year period. In addition commission limits are placed on commissions which may be charged by investment bankers in the distribution of securities.

Another vexatious problem eliminated in the statutory requirement of an appraisal for certain types of securities.

The new law permits the use of identifying statements and circulars in conformity with the SEC.

Penalties: The new law requires that a seller of securities in violation of the law be held liable for not only a return of the funds invested in the purchase of securities, but also for a 5% interest charge on such investment. The new law allows an innocent violator to foreclose future liability by giving an offer of recision to the purchaser.

Criminal penalties are included, and a person engaged in the fraudulent sale of securities may be sentenced to a maximum of five years, and fined a maximum of $10,000. The old law limited criminal punishment to a one-year sentence.

John B. Scott Opens

MONTGOMERY, Ala. — John Bradford Scott is engaging in a securities business from offices at 2066 Woodley Road.

Yamaichi Securities

Yamaichi Securities Company, Ltd. in engaging in a securities business from offices at 111 Broadway, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Howard C. Sheperd, Chairman of the Board of **The National City Bank of New York**, was present on July 15 at the dedication in **Bogota, Colombia** of the Bank's new branch building there, located on Avenida Jimenez de Quesada. The modern eight story office building, designed especially for bank premises and business office space, is already completely occupied. Bogota Branch, one of four National City units in Colombia, was established in 1920. Juan D. Sanchez is Manager.

* * *

Appointment of Rhett Dufour as an Assistant Vice-President and Frank E. Deremer and James S. Hindle as Assistant Secretaries in the Personal Loan Department of **Manufacturers Trust Company of New York** was announced on July 15 by Horace C. Flanigan, President. Mr. Dufour came to Manufacturers Trust in 1935 and was advanced to Assistant Secretary in 1944. He is in charge of the Instalment Credit Division of the Personal Loan Department. Mr. Deremer joined the bank in 1937. In 1949 he was placed in charge if the Automobile Loan Division of the Personal Loan Department. Mr. Hindle was employed by the **Midwood Trust Company** and joined Manufacturers Trust at the time of the merger of the two companies in 1931. He is in charge of the Business Development Division of the Personal Loan Department.

* * *

UNDERWRITERS TRUST CO., NEW YORK

	June 30,'53	Mar. 31,'53
Total resources	$45,096,457	$42,415,251
Deposits	41,730,995	38,199,605
Cash and due from banks	11,483,683	10,857,462
U. S. Government security holdings	14,643,071	11,039,279
Loans & bills disct.	15,407,224	15,065,910
Undivided profits	1,118,926	1,100,821

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	June 30,'53	Apr. 20,'53
Total resources	$2,753,539	$2,570,679
Deposits	146,788	243,481
Cash and due from banks	1,336,560	1,200,409
U. S. Government security holdings	478,511	478,540
Undivided profits	275,863	174,291

* * *

Joseph N. Lerner of the Mortgage Department, new loan section of the **Lincoln Savings Bank of Brooklyn, N. Y.,** has completed 25 years of service with the bank, it is announced. The event was officially recognized at a luncheon tendered to him in the bank's dining room. John W. Hooper, President of the bank, presented Mr. Lerner with a gold watch. Mr. Charles J. Kipp, President, and Mr. Erwin Bortscheller, Vice-President of Loncoln's 25-year club, welcomed the new member into the quarter-century club which now has 50 members, 14 of whom are retired. Mr. Lerner is a graduate of the New York Chapter, American Institute of Banking, class of 1937, and St. John's University, class of 1942, from which he received his LLB degree. He was admitted to membership in the New York State Bar Association in February, 1943.

* * *

The Franklin National Bank of Franklin Square, N. Y., increased its capital effective July 14 from $3,850,000 to $3,900,000 by a stock dividend of $50,000. Earlier this year (April 14), the bank as a result of a similar $50,000 stock dividend, enlarged its capital from $3,800,000 to $3,850,000, after previously, in February, having increased the capital from $3,750,000 to $3,800,000 by a stock dividend of $50,000. Reference to this was made in our issue of April 16, page 1652.

* * *

As of June 30 the **National City Bank of Long Beach, N. Y.,** reports a capital of $368,280, increased from $354,640, by a stock dividend of $13,640.

* * *

The new Instalment Loan Office of the **First National Bank and Trust Co., of Paterson, N. J.,** was opened on July 16, when the bank held open house from 4:30 to 9 p.m. in the renovated and air-conditioned quarters at 133 Ellison Street. A feature of the opening was the offering of $1,500 worth of door prizes to visitors, who had nothing to do or buy but receive their door prize ticket. Benjamin P. Rial, President, cut the ribbon which officially opened the new office.

* * *

Reginald F. Towner and Lewis A. Vincent have been elected to the Board of Managers of **The Montclair Savings Bank of Montclair, N. J.,** it was announced on July 15 by T. Philip Reitinger, President. Mr. Towner is Vice-President and a member of the Board of Directors of the Jersey City Printing Co. He is a Trustee of the Kimberley School and the Montclair Art Museum. Mr. Vincent is General Manager of the National Board of Fire Underwriters. He was made Assistant Secretary of the National Board in 1937 and five years later became Assistant to the General Manager. In 1945 he was placed in charge of the Board's Actuarial Bureau, in which capacity he organized its present basis of statistics. From 1940-1945, Mr. Vincent was in Washington and attached to the Office of Chief Engineers.

* * *

The recent capital increase program of **City Bank and Trust Company of Reading, Pa.,** was completed on July 15, it is announced, with a substantial over-subscription. Through the sale of the 15,000 additional shares, the capital account was increased from $300,000 to $450,000 and the surplus account from $850,000 to $1,150,000. Undivided profits is $325,000. An item bearing on the plans to enlarge the capital appeared in our issue of June 25, page 2776. John D. Heckman is President of the bank.

* * *

Enlargement of the capital on June 26 of the **Wyoming National Bank of Wilkes-Barre, Pa.,** from $500,000 to $750,000 is announced by the Comptroller of the Currency at Washington. Of the increase, $200,000 was brought about by the sale of new stock, and $50,000 by a stock dividend.

* * *

The Chicago National Bank, of Chicago, Ill., as a result of a stock dividend of $52,500, has increased its capital, effective June 24, from $1,750,000 to $1,802,500.

* * *

The capital of the **Industrial National Bank of Detroit, Mich.,** has been enlarged from $2,000,000 to $2,250,000 by the sale of $250,000 of New stock, the increase having become effective July 8.

* * *

A stock dividend of $500,000 has served to increase the capital of the **First National Bank of Omaha, Neb.,** from $2,500,000 to $3,000,000, the new capital having become effective June 29.

The Board of Directors of **The Atlantic National Bank of Jacksonville, Fla.,** announces the retirement of William I. Coleman as Vice-President, on July 1. Mr. Coleman will continue as a member of the Board of Directors.

* * *

As of July 8 the **Fort Worth National Bank of Fort Worth, Texas,** increased its capital from $6,000,000 to $7,000,000 following the sale of $1,000,000 of new stock. Items with respect thereto appeared in our issues of June 18, page 2665, and June 25, p. 2777.

* * *

As of June 27 the **Idaho First National Bank of Boise, Idaho,** absorbed the **American National Bank of Idaho, at Idaho Falls.** The latter had a common capital stock of $350,000.

* * *

Don R. Cameron was elected a Director of **Union Bank & Trust Co. of Los Angeles** at the meeting of the bank's board on July 9, according to Herman F. Hahn, President. Concurrently Mr. Cameron announced his retirement as Vice-President of the bank and his election as Vice-President and Director of the Del Amo Estate Company, succeeding the late A. L. Lathrop. John W. Luhring and Samuel B. Burnham were elected Vice-Presidents of the bank, advancing from Assistant Vice-President, and Fay H. Kerns, formerly Trust Officer, was named Assistant Vice-President and Trust Officer. Mr. Burnham will succeed Mr. Cameron as executive in charge of the bank's trust department. Mr. Cameron, who has elected to retire under the bank's retirement plan, celebrated his 33rd anniversary with the institution on June 24. He is a member of the Los Angeles Bar and California Bar Associations; member and past Chairman of the Southern California Trust Officers Association, and has been active in the American Bankers Association and in the California Bankers Association, of which he is past Chairman of the Trust Division. He will continue as a member of the Directors' Trust Committee of the bank.

G. C. Bodell Joins S. K. Cunningham Co.

G. Clifford Bodell

PITTSBURGH, Pa.—G. Clifford Bodell has become associated with S. K. Cunningham & Co., Inc., Commonwealth Building. Mr. Bodell was formerly Vice-President of Young & Co. Inc.

With Johnston Bell

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla.—Harry S. Myles has become associated with Johnston E. Bell & Co., 306 Twelfth Street, West. Mr. Myles was formerly with Florida Securities Company and in the past conducted his own investment business in Bluefield, West Va.

Two With Edenfield

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Rosemary Weber and Theodor Weber have joined the staff of Frank L. Edenfield & Co., 8340 Northeast Second Ave.

Public Utility Securities

By OWEN ELY

Wisconsin Electric Power Company

Wisconsin Electric Power Company was formerly a subsidiary in the North American Company System, although some shares were held by the public. During the years 1947-48 North American divested itself of its holdings, principally by distribution to its own stockholders. The company is itself a holding company, controlling Wisconsin Natural Gas Company, Wisconsin Michigan Power Company, and Milwaukee Electric Railway & Transit. The SEC in 1950 initiated proceedings to determine the legality of the company's control of Wisconsin Natural Gas Company and Milwaukee Electric Railway & Transport.

The system serves a population of about 1,530,000 in 380 communities of Wisconsin and the upper peninsula of Michigan, the area including the City of Milwaukee and the adjacent heavily industrialized areas. However, the company also serves prosperous and stable farm areas, with a substantial irrigation load. Industrial customers include lumber and paper companies and iron ore mines.

Of the 1952 system revenues, 89% was derived from electricity and 9% from gas. Electric revenues were 38% residential and rural, 23% commercial and 30% industrial. Average annual residential use of 2,558 kwh was above the national average, and the average residential revenue of 2.24¢ per kwh was below the U. S. figure.

System capacity at the 1952 year-end totaled 879,610 kw, of which 828,500 kw was steam. The peak load in 1952 was 930,000 kw, requiring the purchase of 175 million kwh. An additional 12,400 kw of hydro capacity was added in the spring of 1953, and a 120,000 kw steam unit at the Oak Creek Plant is scheduled to go on the line in the late summer. Two similar units are planned for 1954 and late 1955 and a fourth in 1960. Construction of the first three large units at Oak Creek should enable the company to discontinue the purchase of power and give it a margin of reserve capacity.

For some years Wisconsin Electric Power has been attempting to dispose of its transit subsidiary, the Milwaukee Electric Railway & Transport Company. A sale of the latter's passenger transportation facilities (only) was finally effected in the latter part of 1952 to a new company, the Milwaukee & Suburban Transit Corp. The subsidiary received a base price of $10 million for this property, consisting of $4 million cash, $3 million 5% secured promissory notes, and $3 million 5% preferred stock. With the cash the company paid off its $3 million first mortgage bonds, which had all been owned by Wisconsin Electric Power. It also repurchased 55,000 shares of its own common stock for which it now owes the parent company $5.5 million. Presumably the latter amount will be paid from surplus cash on hand, which approximated the same amount. Thus eventually the parent company may realize an aggregate amount of nearly $15 million, including possible $1 million proceeds of sale of some abandoned right-of-way for a highway. It will still retain the small equity interest in the subsidiary, whose remaining property is being used to haul coal to the parent company's plant.

It is conjectured that with the proceeds of the transit sale, received from time to time, Wisconsin Electric Power will be able to defer equity financing for some time. At the end of 1952 the company had a very strong current position with nearly $30 million net working capital including over $21 million cash assets. At that time the company had an equity ratio of 38% (with practically no intangibles).

Special accounting items resulting from the ownership and sale of the transit property have been a confusing factor in the earnings statements. Wisconsin Electric Power has for some years been charging off $500,000 annually (recently equivalent to nearly 12¢ a share on the common stock) to amortize contingent losses on its transit investment. When the remaining loss was realized through the sale of the property, the company was able to effect a tax saving amounting to 84¢ a share. Earnings for the 12 months ended March 31, 1953 were reported by one of the financial services as $2.88 a share and by another as $2.75 a share. Actually, however, these earnings included about 84¢ a share non-recurring tax savings. Also there was a bookkeeping credit in connection with previous "contingent losses" amounting to about 3¢ a share. The earnings exclusive of these adjustments would have approximated $2.01 per share. On this basis, the stock at its recent price of 26 has been selling at about 13 times earnings. The yield based on the dividend rate of $1.40 is 5.4%.

Year Ended Dec. 31	Revenues (Millions)	Common Stock Record— *Earnings	Dividends	Approximate Price Range
1952	$79	$2.01	$1.40	28½-21½
1951	73	2.09	1.30	24 -18
1950	65	2.04	1.20	23 -17
1949	61	2.06	1.25	23 -15
1948	59	2.05	1.00	18 -15
1947	53	1.92	1.00	23 -16
1946	47	2.05	1.00	23 -19
1945	45	1.24	.68	17½-14
1944	45	1.09	.58	14½-10½
1943	43	1.20	.50	10½- 7
1942	38	1.14	.45	9 - 2

*Before deduction of "contingent loss" on transit investment in years prior to 1952. The 1952 earnings exclude the tax saving due to sale of the transit property.

British and American Policies In Commodity Pricing

By PAUL EINZIG

Commenting on the British attitude toward the International Wheat Agreement and the U. S. low price policy in relation to raw materials from the sterling area, Dr. Einzig holds it is high time the governments of the United States, Britain and other countries make a serious attempt to come to agreement which would safeguard interests of all by abandoning aims to keep down prices of each others products.

LONDON, Eng.—Ever since the breakdown of the negotiations for the renewal of the International Wheat Agreement the trend of the wheat price has been followed in Britain with considerable interest. Up to the time of writing the British Government's refusal to agree to an increase from $1.80 to $2.05 appears to have been justified on purely commercial grounds. Indeed, a moderate quantity was recently acquired from the Argentine at the price of $1.82 per bushel. Should this year's crop be reasonably good Britain would undoubtedly be able to cover her wheat requirements around that level if not below it. Pressure on the United States Government to abandon its farm price support policy would increase with the increase of unsaleable wheat stocks of the Commodity Credit Corporation. Should the Washington Administration give way, the ensuing world-wide decline of the price of wheat would, on the face of it, vindicate Britain's refusal to agree to the price of $2.05. It would be, however, a victory that might well prove to be worse than a defeat in the long run.

Dr. Paul Einzig

A decline of wheat prices is bound to affect the purchasing power of a large section of consumers in the United States and in all wheat-producing countries. It is true the terms of trade would change in favor of Britain and other wheat-importing countries. The same amount of manufacture exports would pay for a larger amount of wheat imports. The trouble is that with the decline of the purchasing power of wheat producers the sales of manufacturers are bound to be affected. Apart from the general loss of overseas markets for British exports, Britain would be gravely affected by the trade recession which would develop in the United States as a result of the decline of the purchasing power of the American agricultural population. And an American trade recession is rightly dreaded in Britain.

The shortsightedness of the British policy which might produce such grave consequences can only be explained if not excused on the ground of the balance of payments situation which forces the British Government to do its best to reduce the amount paid for hard currency imports. The dollars are just not available and cannot be conjured out of thin air. With less justification the United States Government pursued for years a policy aiming at reducing or keeping down the price of rubber, tin and other commodities imported from the Sterling Area. The United States as a country stood to gain nothing from this policy since the dollars saved by it had to be given away in the form of financial aid. If, as seems almost certain, financial aid will come to an end in 1954, the maintenance of the prices of Sterling Area exports—including gold—at a low level must mean that Britain and the Sterling Area will have to buy even less from the dollar area. It was partly for this reason that the British Government felt impelled to resist the increase in the price of wheat insisted upon by the United States Government.

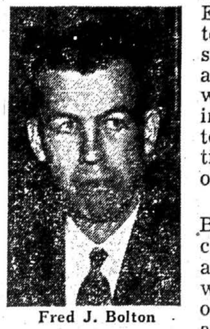
If only the United States were to adopt a more liberal policy in respect of the prices of the Sterling Area exports there can be no doubt that Britain would be both able and willing to abstain from driving a hard bargain over the price of wheat. What is perhaps even more important, the inducement to increase trade with the Communist countries would weaken considerably. The recent conclusion of a barter deal between Britain and the U. S. S. R. under which Britain will acquire canned salmon and crab meat to the value of £1 million caused considerable resentment in Canada, where it is felt that Britain ought to have covered her requirements out of Canadian supplies. The difficulty is that the dollars are not available and that Canada is not prepared to make them available through increasing her imports from the Sterling Area. Nor is Canada prepared to accept sterling in payment for exports to Britain. Would she be willing to do so, Britain would be in a position to relieve her of her large accumulated stock of wheat which, in spite of its deterioration, could be used for animal feeding stuff in the place of coarse grain to be imported from the countries behind the Iron Curtain.

In view of the world-wide trend towards industrialization and the efforts to raise the standard of living of under-developed countries, there is bound to be in the long run a considerable increase in the demand for food and raw materials and a corresponding increase in their prices without a corresponding increase in the price of manufactures. Taking a long view the British efforts to keep down the price of wheat and the American efforts to keep down the prices of rubber, tin, etc., are doomed to failure. They may score temporary success but such financial benefit or satisfaction as may be derived from this is bound to cost a great deal. The American policy has succeeded in curtailing the purchasing power of the Sterling Area. The British policy is well on its way towards succeeding in curtailing the purchasing power of the United States and of other wheat-producing countries. This is a contest in which both parties are likely to be losers.

It is high time the Governments of the United States, Britain and the other countries primarily concerned made a serious attempt at coming to an agreement which would safeguard the interests of all by preventing the pursuit of policies aiming at reducing or keeping down the prices of each others staple products. Hitherto it would have been difficult to come to such agreement because Britain had little to offer in return for concessions by the United States. Recent developments in respect of the wheat prices seem to indicate, however, that Britain now holds at least some of the trumps. She would now be in a position to offer something in return for concessions received. The American decision to discontinue the practice of giving away American exports in a form of foreign aid should also go some way towards making American opinion realize the need for enabling other countries to pay for the goods they will no longer receive as free gifts.

Frederick Bolton With Lentz, Newton & Co.

SAN ANTONIO, Tex. — Frederick J. Bolton has become associated with Lentz, Newton & Co., Alamo National Bank Building, as manager of the municipal bond department.



Fred J. Bolton

Mr. Bolton was formerly Vice-President of H. V. Sattley & Co., Inc. of Detroit, buying and selling municipal bonds. Mr. Bolton, a graduate of the University of Detroit, with graduate work in finance at Wayne University, served four years in the U. S. Navy, enlisting as a yeoman and going on inactive duty December, 1945 as a Lieutenant; his main duties were in personnel and general administration work with naval aviation. He is a member of the Security Traders Association of Detroit and Michigan and a director of the Bond Club of Detroit.

John Muir Co. to Admit J. B. Fitzpatrick

John Muir & Co., 39 Broadway, New York City, members of the New York Stock Exchange, on Aug. 1 will admit John B. Fitzpatrick to partnership in the firm. Mr. Fitzpatrick is a partner in Mallory, Adee & Co.

William R. Staats to Admit Garrow Geer Jr.

William R. Staats & Co., 640 South Spring Street, Los Angeles, members of the New York and Los Angeles Stock Exchanges, will admit Garrow T. Geer, Jr., to partnership on Aug. 1. Mr. Geer, who will make his headquarters in New York City, is a member of the New York Stock Exchange and has been active for some time as an individual floor broker.

George Hepburn will retire from partnership in William R. Staats & Co. on July 31.

Frank Gotch to Open Own Firm in Houston

HOUSTON, Tex.—Frank Gotch is engaging in the securities business from offices at 3602 Garrott Street. Mr. Gotch has been a vice-president of Rowles, Winston & Co.

New NYSE Corporation

On Aug. 1, de Pontet & Co., Inc., 36 Wall Street, New York City, will acquire membership in the New York Stock Exchange. Officers are Andre B. de Pontet, who holds the Exchange membership, President; Charles R. Stahl, Vice-President, Assistant Treasurer and Assistant Secretary; and William H. G. Giblin, Secretary and Treasurer.

Continued from page 6

A Canadian Views United States-Canadian Interrelations

London, England, but she is Queen of Canada, and she is as greatly beloved among Canadians as she is anywhere within her far-scattered realms.

I am not going to try to explain why a sovereign, independent, democratic, North American nation has a Queen except to say that we like it that way. A whole library of books exist to try to explain the ways and wherefores of the continuance of monarchy in the family of nations which makes up the Commonwealth and Empire to which we are proud to belong. It is probably fair to say that you have got to be born and educated within the Commonwealth in order to acquire that instinct for monarchy which binds together so many disparate nations and peoples into one more or less homogeneous unit.

We Canadians pay no taxes to Britain; nor do we contribute one cent to the upkeep of the Queen and her court. We are co-equal with Britain in every respect, and our foreign and domestic policies are framed with reference to our own needs and the needs of the world with which we do an enormous business. Though far from the top in population, we are now either the third or fourth nation in the world in total volume of international trade. Consequently, upon a per capita basis, we are way out in front.

Our present status within the Commonwealth was not achieved without a struggle. Fortunately, however, we were never forced to exact our freedom from Great Britain by armed conflict. We have you to thank for that. Your War of Independence, which we still call the Revolutionary War, taught Britain and all the world that freedom-loving Anglo-Saxons can not be coerced by any force; even when that force is backed by tradition and commands the innate affection which all English-speaking people feel toward our Motherland. While we gained our freedom slowly, we earned it by quiet but stubborn assertions of independence, and by standing shoulder to shoulder with Britain in two world wars.

Canada, Mistress in Her Own House

Because we wished to prove of Canada that "Daughter am I in my mother's house but mistress in my own," as Kipling phrased it, and because we have grown up alongside you, we have sometimes felt impelled to adopt a sort of "me too" attitude. Thus we have been led into copying from the United States, from Britain, and from elsewhere many things which were downright inimical to our own long-range interests. Chief of those imports were social measures framed, not with reference to the unique economy of Canada, or with reference to the North American ideal of "life, liberty and the pursuit of happiness," but with reference to the very different British economy and social structure.

So when you visit Canada, you see a country forced by circumstances, over which we have little or no control, to keep our way of life as close to your own as possible, and at the same time a country determined to show our British motherland that anything she can do we can do better. You can appreciate the strains likely to result from that set of unusual circumstances.

The situation is further complicated by reason of the fact that nearly one-third of our population speaks French and sometimes still tends to regard Britain as a conqueror rather than a motherland. The important French-Canadian element in our population is incorrigibly North American, and anti- rather than pro-French. On the other hand, it tends to be lukewarm towards what it calls your "bath-tub civilization," and it is afraid of what it calls the United States "trustards." In Ireland Sein Fein meant "ourselves alone." In that sense Quebec was certainly Sein Fein before the Irish, a fact unlikely to appeal to the Hibernians amongst you. So to the difficulties of doing business arising out of a harsh climate, a rugged terrain, immense distances and a comparatively small population, we have added the inconvenience of bilingualism.

Yet the existence of bilingualism is itself a daily proof to us that Canada is different and not merely the United States writ small as some of your countrymen seem prone to think. Our economy is unique and our society is also unique because two peoples have retained their characteristics but joined their talents to create a nation the like of which exists nowhere else on earth. So please do not be misled, when you come to Canada, by surface similarities with your country. And please do not seek to compare us either socially or economically with the United States. We like you; we admire many things about you; we must often ape you; you often scare the bejabers out of us. But we are Canadians first and North Americans second.

Just to scramble up a complicated situation still further, destiny seems to have cast us in the role of a bridge between the two greatest English-speaking countries in the world. Sometimes we have reason to become all-too-conscious of the fact that it is the function of bridges to be walked on or driven over.

Canadian Economy Unique

Because both our economy and our society are unique, it should be obvious that actions or plans framed with reference to other economies do not necessarily have much if any relevance for Canada. Despite this, we are in the peculiar position of having policies framed in your country, and with reference to your conditions, but applied to our own.

We sell only 75% of what we produce in the domestic market. And because that market is relatively small, we cannot go in for mass production or mass distribution upon anything like your scale. Nevertheless, the international leaders of organized labor now insist upon regarding Canadian and United States economies as the same for bargaining purposes. A considerable number of Canadian business leaders and citizens generally are very unhappy about our current labor situation. They point out that nowhere else in the world are labor policies framed in one country and applied to another. Such a situation causes them to wonder if Canada really is autonomous. That is a very pregnant question and one which should be of joint concern to North Americans on both sides of the imaginary boundary which separates us—the famous undefended border which has created such interest and such envy and such hope throughout the world.

In my young day there used to be some evidence of interest in the United States in a thing called "Manifest Destiny." As I remember it, the idea behind Manifest Destiny was that the United States would one day reach from the Rio Grande to the North Pole. As a matter of fact, existence amongst you of what we Canadians regarded then as a very presumptuous idea had not a little to do with forging the spirit of nationalism. Can it be that the labor situation under which Canada is now smarting reflects a revival at other hands of the idea behind Manifest Destiny?

Not a U. S. Satrapy

We are on the march in Canada, and we are too proud of our achievement and too sure of our future to take kindly to policies which ignore such facts; or which seek to treat us as a United States satrapy.

Such matters might well appear to you to be of domestic concern to Canadians only. That would be true if our two countries were widely separated and had diverging interests. I submit, however, that in the long run, you can not afford to see your largest customer fall into economic difficulties. North American prosperity may not be indivisible, but it would certainly be more difficult for you to remain prosperous if we found ourselves in the economic doldrums.

Labor and other policies which are not in consonance with our peculiar economic circumstances often tend to create conditions which make a continuance of our prosperity extremely difficult. We have to sell a very large volume of surplus commodities on the world market, and the buyer on the world market has no interest in us other than to buy the most of the best for the least.

If we were in a depression, we could not play the part in North American defense which you have a right to expect of us as full partners. In the interests then, of both business and defense, it seems to me that those North Americans who inhabit the 48 states of your great union should be taking a real interest in what is being done to those North Americans who inhabit the Dominion of Canada.

We are now the world's largest producers of asbestos, nickel and newsprint. We are the second largest producers of gold, platinum, aluminum, uranium and electric power. Every day we uncover new sources of natural wealth, and every day our ability to develop those resources for our own use, and that of the western world, increases. We may look a pigmy by comparison with our neighbors to the North and to the South, but in reality we are a mighty atom, and we are growing apace.

Canada, Still a Frontier Country

Despite our amazing growth, ours is still very much a frontier country, although, paradoxically, we have in Montreal and Quebec two of the oldest cities upon this continent. Montreal has a population well in excess of one million and is noted as a highly civilized community with fine stores, hotels, cafes, and other attributes of high living. Nevertheless, if you stand atop Mount Royal in the heart of Montreal and look north, there will be very little in the way of population between you and the North Pole. What is true of Montreal is true of Quebec and Ottawa and Winnipeg and Edmonton. All those cities have populations ranging in size from 100,000 to nearly 300,000, yet in their railway stations and at their airfields you see loggers and trappers and hardrock miners complete with pack sacks and duffle bags. Even in Ottawa, our Federal capital, men in mackinaws rub shoulders in the world-famous Chateau Laurier Hotel with gilded diplomats and cabinet ministers. So you Americans are linked in a great many ways with a country full of vitality, gaining in national assurance, and determined to make a real name for itself in the councils of the nations.

No one who loves freedom can quarrel with the foreign policies objectives you Americans and we Canadians are jointly pursuing. But those of us who accept the responsibilities of citizenship must realistically view the possible economic, social and political consequences of continued pursuit of those most worthy objectives.

Taxing Ourselves Into Helots

If we overload either of our two national economies by piling other expenditures upon the necessarily vast cost of defense, are we North Americans not, to put it bluntly, in considerable peril of taxing ourselves into the status of helots? Let me explain. The Greek helot was one whose master provided him with a living in accordance with what his master thought he was worth. It was probably the first recorded instance of the operation of a system of Full Employment. Moreover, the helot had something very close to the guaranteed annual wage which is the objective of the CIO steel and auto workers today. All the helot really lacked was personal freedom—the right to take risks, to use his own labor in his own way, and to profit in accordance with his own ability and productivity and thrift.

Your society and ours is a society which, I submit, must be libertarian and egalitarian if we are to remain true to our North American traditions. If such societies are to survive, then they cannot tolerate a helot economy. Yet the state, even in freedom-loving North America, more and more says how much men may profit from their abilities, their productivity and their thrift. If you make so much you may keep most of it. But if you dare earn more than the state thinks you may keep, then the state sets limits, through taxation, upon your effort to get ahead.

True, the taxes have so far been graduated so that not all will be held to the same level of income. But the British efforts to legislate fair shares are an indication and a warning of what can happen even in countries pledged to something very much akin to your ideal of "life, liberty and the pursuit of happiness."

All the progress toward making North Americans into what I choose to call helots has been accomplished, of course, in the name of social welfare. As our living standards have risen, there has been a rise in our feeling of social responsibility, and that is a fine thing. But that rise has been accompanied by a strange new belief in the power of the state to play God.

In this instance, we Canadians have not only been your partners, but we have actually gone some distance ahead of you. Ignoring the fact that you still have a population far larger than our own, and per capita national production considerably higher than that of Canada, we have written into law several social welfare gimmicks which considerably outstrip anything you have yet done.

We are forced by propinquity and by the spill-over effect of your advertising and other sales promotion to keep our standard of desires as close as possible to conformity with your own. We want the same cars, regardless of whether they are best suited to our conditions of climate or terrain, the same television, the same radio, and all the other gadgets which are the hallmark of the North American way of life.

Since we are often frustrated by our economic circumstances in our efforts to keep social pace with you, it is perhaps not altogether surprising that the unthinking have led us to turn to the State for compensatory action. People obsessed with the power of the State seldom recognize the fact that the State remedy may be far more economically disastrous than the alleged social disease it is designed to cure.

Dangers of Statism

There is, however, no discernible reason, as far as we Canadians can see, why a great country such as your own should ask the state to do for its citizens what they can do much better for themselves. Moreover, every time you turn to the state you are not only false to your great traditions, but you set the world a very bad example.

Indeed, for a country like the U. S., endowed with more of the world's goods than any other, with a history and a record of progress based upon personal freedom—or liberty as you choose to call it—to develop statist tendencies constitutes a danger to western civilization itself. You ought, some of us feel, to be ashamed of yourselves.

There are limits set by natural law upon what the State may be allowed to do without danger to personal freedom. If we follow the bad example of other lands and hand over too much responsibility to the state, we shall inevitably decrease our own freedom of action. Most of all, we shall lessen our desire and eventually our ability to do things for ourselves, and it is upon that ability that the last best hope of man now rests. Ours, then, is what the Bible calls an aweful responsibility. We businessmen are custodians of a business civilization under which men have prospered and developed in mind, body and state.

The Bible says in its very first book that "In the sweat of thy face shalt thou eat bread." That is not only a great moral truth, but it is also an inexorable economic law. Too many people in too many places are trying today to eat more bread than their own sweat will earn for them. They have been able to do this up to a point by surrendering part of their freedom to the State.

However, since the state itself produces nothing, the sham of state welfare has been possible only through taking from highly productive Peter to give to less productive Paul. The cake to be divided becomes no bigger by such means, and the loss of personal freedom involved in such flim-flam may yet make a mockery of the North American dream.

You Americans are today the leaders of the western world. We Canadians are happy to be your partner in the great enterprise of making the whole world a better place for mankind. Be assured, however, that we wish to be partners with you and not merely your satellites.

But to be successful as leaders, surely it is necessary for you to exercise moral authority — the sort of authority long wielded by Britain. Moral authority must in its turn be grounded in things of the Spirit. To achieve such authority, it seems to me, you must believe wholeheartedly in the supermacy of the individual; and you must act always in accordance with that belief.

Sometimes we who watch you with amazement and interest and sympathy from above the 49th parallel are puzzled by what appear to us to be departures from those virtues which you followed to great prosperity and to enormous and beneficent power. If in the role of old and candid friends we Canadians were asked to give you advice, I think those of us who cherish the North American way of life would say to you: "Get back on the straight and narrow path of individualism and stay there."

As far as I personally am concerned, I would say it with all the fervor at my command; and that is what I have tried to do in my disjointed remarks before you upon this notable occasion.

Railroad Securities

Chesapeake & Ohio

Railroad statements of earnings results for June and the first half have begun to appear. As had been expected on the basis of traffic figures and last year's steel strike, some of the June year-to-year earnings comparisons are little short of sensational. Earnings gains for the full half-year reflect not only this June strike factor, but, also, the continuing improvement in operating efficiency that has been general throughout most of the industry. Moreover, it seems fairly obvious that the full impact of the latter influence on earnings has not even yet been fully exploited. Most railroad managements are still budgeting heavy capital outlays for additional diesel power and new rolling stock and for property improvements. Generally speaking large capital expenditures are not undertaken by the railroads unless there is convincing evidence that such outlays will improve service and reduce costs.

As usual, one of the first railroads to comment officially and in some detail on results for June and the six months was Chesapeake & Ohio. Its figures for the period particularly highlight the important influence that operating economies have had on railroad profits in the current year. While there has been a pronounced, and healthy, trend toward diversification of Chesapeake & Ohio's freight traffic interests in the past decade or so, the road is still quite heavily dependent on the movement of bituminous coal. The coal picture this year has not been too good. Export demand has fallen off sharply, and Chesapeake & Ohio is a major participant in this movement. The mild winter cut into potential domestic consumption of coal. Finally, there has been some inclination to work off inventories which even now continue at abnormally high levels. Reflecting these influences Chesapeake & Ohio was one of the roads that reported a decline in car loadings for the 26 weeks through June 27.

For the six months through June C & O's coal and coke revenues declined $16.2 million, or nearly 17% below the like 1952 period. Revenues from merchandise freight were up nicely but this gain was considerably short of the loss in coal and coke receipts. Gross revenues for the half year were roughly $10.5 million lower than they had been in the opening half of 1952. Despite this curtailment of revenues, earnings of $2.73 a share were modestly higher than the $2.59 a share reported a year earlier. Perhaps this experience of Chesapeake & Ohio may eventually alter the thinking of that group of pessimistic investors that consistently cries that railroad securities should be avoided on the theory that on even a modest decline in business railroad earnings will surely evaporate because of the traditionally heavy burden of fixed costs and the high labor factor.

Of course some of the six months revenue loss was offset by a cut of somewhat over $3 million in income taxes. The big factor, however, was the reduction of over $9.6 million in operating expenses. The largest item in this category was the all-important one of transportation costs which were lower by $4,560,000. The transportation ratio, which under normal conditions may be expected to go up as revenues decline, was reduced to 31.2% compared with 31.9% in the first six months of 1952. While the cut in the ratio was by no means substantial the trend is highly significant and favorable under the circumstances. It indicates a material gain in underlying operating efficiency.

In commenting on results for the first half of the year Mr. Tuohy, President of the road, stated that he did not expect that the company would move over half the 11 million tons of coal in 1953 that they moved for export last year. However, he also said that the full effects of dieselization had not yet been realized and that this dieselization should be felt to an increasing degree by the end of the current year. Analysts close to the picture feel that traffic and revenue comparisons should be more favorable in the second half of the year than they were in the opening half. If this is so and the management is correct in its appraisal of the continuing benefits from dieselization over the last half of the year, earnings for the full year could well top the $5.66 earned in 1952. This would be considerably better than had been estimated by both the management and security analysts earlier in the year. In turn, such earnings would bring up the possibility of more liberal dividend policies, presumably in the nature of a year-end extra rather than an increase in the regular rate this year.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc. offered yesterday (July 22) $4,185,000 Chicago & North Western Ry. Co. third equipment trust of 1953 3¾% equipment trust certificates, maturing annually Aug. 15, 1954 to 1968, inclusive.

The certificates are priced to yield from 3.05% to 3.80%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment, to cost not less than $5,595,125: 625 50-ton box cars and 200 70-ton gondola cars.

Included in the offering group are: R. W. Pressprich & Co.; Blair, Rollins & Co. Inc.; L. F. Rothschild & Co.; Wm. E. Pollock & Co., Inc.; Baxter, Williams & Co.; Ira Haupt & Co.; The Illinois Co.; Gregory & Son Inc.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co., Inc.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—James M. Ragland has been added to the staff of Dean Witter & Co., Equitable Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

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As We See It

tures down to rock bottom. The Administration has been hard at work on this task. It has made progress. It has had to contend with the obstructionism of many elements which were not willing to reduce outlays for any of their special interests—which meant, collectively speaking, not willing to have any outlays reduced. It has also had to deal with a number who would arbitrarily reduce expenditures and later consider the consequences. Taking everything into account it seems to us that reasonable progress has been made.

More Is Required

But vastly more is required. We have no doubt whatever that very substantially more fat could be taken from the defense budget. We need to look much more carefully at the tremendous give-away program we have undertaken and are continuing in this year's budget. We need to ask ourselves very seriously whether the recipients of all these gifts are really "playing the game." We need to inquire quite cold-bloodedly whether our own interests are best served by this unprecedented generosity in the name of international cooperation. The time has come for a good long look at this whole situation—and at the conditions which are alleged to make it necessary or advisable. The months before Jan. 1, 1954, must be put to good use for that purpose. And so with all the other items which often individually are absorbing funds in amounts greater than the entire Federal budget a relatively few short years ago. We simply must reduce expenditures much further, and do so without very much further delay and that unquestionably means abandonment of a good deal of the paternalism and the folderol introduced into our national affairs by the New Deal.

Another vital problem which must not be permitted to drag is taxation. Here nothing has so far been done—except possibly to plan, and about plans, if any, the public knows but little. We have been quite sympathetic toward the insistence of the President that the tax structure be left intact and revenues not be reduced until such time as expenditures could be brought down or a much better general tax system be devised and enacted. For the immediate present, with a deficit so large and no indications of any early reduction of it, tax receipts as large as practicable seemed to us to be paramount. The situation will be essentially different when Congress begins a new session next year. It will then be politically infeasible and basically unwise to try to hold on to the existing tax structure and merely insist that there be no reduction in revenue.

Tax Renovation Imperative

The taxes we have selected to raise revenue are very nearly as bad as they could be. Next January the Administration will have been in office a year. There will then be no excuse for demanding more time to plan renovation of the tax structure. The time will then have come to begin reconstruction. Hearings and all the rest that have to do with sweeping changes in tax must, of course, take place, but prior to January of next year appropriate officials, including the President himself, must be ready with definite tax programs which would be adequate to the task of producing all the revenue needed and doing so as equitably as may be and with the least interference with the normal operations of business. It is a huge and intricate task—the more so by reason of the low estate to which our existing system has been allowed to fall—but it is one which simply must not be neglected. We can only hope that more progress than is now generally known has already been made in this planning.

Then there is the question of what is now termed debt management. Here nothing at all has been done. Again and again and again, the Administration in its early days in office, reiterated the importance of getting a much larger share of the publicly held Federal debt in long-term form and into the hands of nonbank investors. Not only that, but promise after promise was made to the effect that something would be done very promptly. To date one small issue of long-terms was tried. It was bungled technically, and trouble was encountered in placing it despite a 3¼% coupon, although it is now quoted at about par.

Soon Lost Heart

But prophecies of disaster if such a course were continued—or rather if conditions were permitted to continue such that offerings of this sort were to be feasible—soon filled the air. The Treasury promptly winced and relented and refrained. Apparently it has no present intentions of doing other than following the example of a predecessor in office whose program was repeatedly and vigorously—and rightly—criticized by the powers now at the helm. Even now the debt of the Federal Government is in greater degree short-term than it was last January. It will be still more so by the end of this year. Obviously the Administration can not indefinitely postpone this issue at the behest of those who fear the precipitation of depression. We must at some time or other eliminate the deficit and place the national debt in much larger degree in the hands of nonbank investors—and that time ought not to be long in the future.

There are, in addition, literally dozens of other issues which must go over at least until next year, and many of them must not be neglected. The next five or six months could well and profitably be the busiest the Eisenhower Administration and the Republican party ever spent.

Continued from first page

Free Enterprise and Its Erosive Forces

resources, freedom and enterprise developed affinity without precedent, and American free enterprise, unique and potent beyond the imagination of men, brought forth national growth, the creation and broad distribution of wealth at a rate so amazing that in 177 years 13 little, poverty-stricken colonies have become the world's richest and most powerful nation, now ineptly struggling under the terrible, recently acquired burden of world leadership.

Sometimes there has been too much freedom. Frequently men have displayed too little enterprise. Just now it seems that restricted freedom may place limitations upon enterprise serious enough to violate the public interest and to bring about radical and undesirable revolution in our American way of life. Human nature being as it is, the balance of ingredients seldom is perfect. Nevertheless, the basic formula works so well and generates such amazing benefits that we should be very certain of the greater value of another economic mechanism before we abandon or seriously impair the operation of free enterprise.

Wisely it has been said that freedom is indivisible. If, in our thinking, we attempt to isolate free enterprise from other aspects of the American life structure, free enterprise can neither be defined nor appraised.

Freedom of the Individual

Free enterprise is the product of a fundamental philosophy of human relationships. The Christian code gives expression to the responsibility, dignity and freedom of the individual. The Sermon on the Mount survives as the finest expression of human relationships. The founders of this nation were guided by these precepts. Our early history was profoundly influenced by men and women who came to this continent seeking, above all things, freedom to worship according to conscience. They did not seek freedom from fear and want. Many of them surrendered security in order to have freedom. Spiritual liberty was their goal.

Courageously they faced the most fearful conditions — exposure, disease and starvation—as a price to be paid willingly for spiritual liberty. An old historian tells the story of the Mayflower Pilgrims who landed on the forbidding coast of New England in the dead of winter and lost half their number before spring came. Yet when the Mayflower went home, as the old writer says, "not a single colonist went with her, so sweet was the taste of freedom even under the shadow of death."

From such beginnings grew our national belief in freedom of the individual and in government as the instrument and servant—not the master—of the people.

With such beginnings, it is only natural that our social life has reflected individual freedom—that we have lived under few legal restrictions, with great opportunities for advancement and rich rewards for accomplishment—that our laws initially were designed to prevent undue interference with the liberties of others. Our worst punishments came, not so much from breaking the laws of the land as from our own mistakes.

A wise man has said, "The human donkey requires either a carrot in front or a stick behind to goad him into activity." Under our philosophy, the "carrot of incentive" rather than the "stick of compulsion" was emphasized.

Paul Hoffman, who was the distinguished administrator of Economic Cooperation Administration, has said:

"Our American system has traditionally offered rich rewards for hard work and creative thinking. . . . Few people work for work's sake. Most of us put forth our best efforts only as a result of pressure in the form of penalties for inaction and rewards for extra exertion. Rewards are the most powerful influence. In fact, psychologists have discovered that rewards have nine times the pulling power of penalties. . . . The Nazis found slave labor inefficient and wasteful."

Politically our principles are defined by our Declaration of Independence and by our Constitution with its Bill of Rights. In these documents are reflected and recorded the moral and social concepts of a free people, resolved never to become servants of government.

Our economic principles and usages, which we designate as "Free Enterprise," could not have come into existence except as an outgrowth of our moral, social and political backgrounds.

The initial policies and practices of the government of the United States brought about environment and incentives that encouraged cooperative productivity by all of our citizens—workmen, farmers, consumers, inventors, industrial pioneers and investors.

Beneficent Spiral

Under such conditions the people of the United States developed an economic system which resulted in rich and widely distributed benefits.

Free men, striving for individual rewards, invented, developed, made and sold many new and desirable products. They also invented and improved methods of production so that more and better things could be made at lower costs and reduced prices. Lower prices brought about greater sales, and greater sales in turn brought about even lower prices. Profits and savings were invested to enlarge plants and to buy more efficient machinery. Increased mechanical power helped men to produce more goods at lower costs. Wages and purchasing power of workers increased constantly.

The spirit and practice of competition and freedom of choice on the part of buyers are important and distinguishing characteristics of free enterprise. Under our economic philosophy, business management is wisely restrained from engaging in monopolistic practices that may retard economic growth or operate against the public interest. Always the broad public interest should be the controlling consideration. Such principles are the spurs and incentives of economic growth.

Rewards and penalties are generated by free enterprise which require management to bring about equitable distribution of benefits to customers, owners and workers. Unless the customer, upon his own evaluation, receives value above price, the business will fail through lack of orders. If owners are not assured of the safety of their investments and of adequate profits, the business will fail for lack of capital. Workers must be rewarded in proportion to increased productivity, else the worker-consumer cannot purchase the products of industry.

Mechanization, Investment, Power and Wages

American industrial management has increased productivity and real wages very rapidly by devising mechanisms that multiply the use of mechanical power and productivity and by finding and applying capital for purchasing such equipment. A hundred years ago, production was largely accomplished by the direct application of man's muscle power. Mechanical horsepower per worker was quite limited. Investment per worker was in the order of $500. Of necessity, the work week was from 60 to 70 hours. Annual wages were less than $250.

Today it is estimated that the average industrial worker directs the application of about 7½ horsepower and his job requires the investment of some $6,000 to $8,000 in light industry and $12,000 in heavy industry. Since 1939 his hourly dollar wages have more than doubled, and his real weekly earnings have increased by some 46%.

If we assume that the muscle power of a man is equivalent to 1/22 h.p., the estimate once given by Dr. Charles Steinmetz, the electrical wizard of the General Electric Company, it becomes apparent that the average American workman directs the energy and benefits by the productivity of an amount of power equal to that of 165 tireless men.

Through such processes, implicit in free enterprise, have we achieved a living standard far above that of any other country. Others look upon American free enterprise with envy and lack of comprehension.

Freedom, competition, profits, investment and good wages all are necessary factors in the system which brings about the economic welfare of the people of the United States. If any one of these vital elements is lost or damaged, free enterprise cannot be fully effective.

It is interesting to compare our quality of living with that of Russia. An American workman buys a pair of shoes with the proceeds of 7 hours and 15 minutes of work. The Russian workman must devote 104 hours and 30 minutes to earning a pair of shoes. A pound of wheat bread costs the American 7½ minutes of labor; the Russian one hour and 10 minutes. For 20 cigarettes the Russian worker must labor two hours and four minutes; the American for nine minutes.[1] The benefits of free enterprise are very tangible ones.

Industrial Growth and the Public Interest

As an industry develops from birth to maturity, it passes first through an era of pioneering, then through a period of rapid growth, eventually reaching a phase of stability and slower growth rate.

It has been my privilege since 1907 to be associated with two great industries during their pioneering and rapid growth phases and to observe the improvement of production, reduction of costs and prices, great market expansion, all taking place in the presence of rapidly rising real wages and reduction of hours worked per week.

In 1907, conservative people were not at all sure that the automobile was here to stay. Steam, electric and gasoline cars competed for the rich man's dollars. The Ford Motor Company was only four years old. The Model T was yet to be born. General Motors did not exist. The Cadillac car was propelled by a crude, single-cylinder engine. Electric starters were five years in the future. There were no concrete highways—no filling stations.

In 1907, there were only 143,200 automobiles of all types in the United States, and in that year only 44,000 automotive vehicles were sold here. The total value of all passenger cars and trucks sold in 1907 was $93,400,000.

Forty-six years later the automotive industry, directly and indirectly, accounted for one out of every seven persons employed in the United States and one out of every five retail sales dollars. In 1952, 5,538,553 passenger cars and trucks were sold in the United States. Their wholesale value was more than $8¾ billion. At the end of 1952, 52,259,205 automobiles and trucks were registered in the United States.

Each year automobiles represent increasing values; each year they become a less dispensable factor in the transportation system of our country.

The automobile industry also is largely responsible for modern mechanization of farming. It has contributed to the rapid development of aircraft and of innumerable other important, employment-creating industries.

Similarly, I have seen the refrigerator industry grow from insignificant beginnings in the early '20s to an industry of major importance, affording ever-increasing employment, ever-increasing value to the buyer. Prices have been lowered year after year until automatic household refrigerators are available to families in the lowest income brackets. In 1952, 3,570,000 automatic household refrigerators were sold. At the end of that year, 37,750,000 of these useful appliances were in use in the United States.

The frozen food and air conditioning industries are important by-products of the modern refrigeration industry.

Similar accounts could be given of the amazing growth of the radio and television industries, of various mechanical household appliances, of Diesel engines, Diesel locomotives.

We are in the beginning of electronic developments and already are becoming beneficiaries of atomic energy.

Such rapid, healthful economic growth takes place in a climate of economic freedom. All segments of our complex society share the fruits of enterprise.

[1] New York "Times."

Vitality of Free Enterprise

Free enterprise has such great vitality that it has continued to increase our national wealth and to advance our material well-being at an amazingly rapid rate, notwithstanding the development and increasing pressures of many opposing forces.

It is conceivable, however, that, despite its amazing vitality, free enterprise may be nullified through the cumulative effects of such erosive influences.

It is not my purpose here to discuss the many controversial questions that now cause so much confusion in the minds of the people of the United States.

Many thoughtful people are disturbed because it seems to them that forces inimical to freedom may be transforming our republic into a socialistic state—that we may be moving toward bureaucratic dictatorship through forces very much like those that caused England's decline.

It is not my purpose to discuss such subjects as social security measures, wayward labor unionism, Federal subsidies for education, socialized medicine, public housing and rent controls, government lending and credit endorsement, public power, farm subsidies, persecution of business by governmental agencies. However, a major force that contributed to England's sorry plight now threatens our progress and, therefore, seems to merit present examination.

Erosive Forces

This force is diversion of income through taxation.

Our Federal income tax became effective in 1914, following legislation based upon a constitutional amendment and enacted in the preceding year.

Tax Burden

The tax burden borne by the people of the United States reminds us that "The power to tax is the power to destroy," and it may here be noted that Karl Marx, in his Communist Manifesto, described a sharply graduated income tax as a potent means for bringing about the communistic state. Lenin, first ruler of Communist Russia, said, "Some day we will force the United States to spend itself to destruction."

Government in the United States—Federal, state and local—is spending today at a rate of approximately $78 billion per year. That is 26.9% of the national income. It adds up to an average tax of $496.31 upon every man, woman and child in the United States.

Senator John L. McClellan, of Arkansas, a Democratic leader and chairman of the Senate Executive Expenditure Committee, estimated that, if the new programs then vigorously sponsored by his party were adopted, added costs eventually would reach at least $25 billion per year over and above the present $78 billion level of Federal expenditures.

Senator McClellan's estimate seems to be very conservative because Brookings Institution has estimated that the social security programs alone, as now proposed, will eventually cost between $33 and $55 billion. Taking the average of the high and low Brookings estimates, we find that the probable ultimate cost of the social security programs will approximate $44 billion per year, which is $34 billion per year more than we now spend on social security programs. Since social security is only one of a number of Federal expenditure programs now being promoted, it is evident that Senator McClellan's estimate of $25 billion is ultra-conservative. These estimates do not, of course, take into account the fantastic tax cost of another war.

A simple computation indicates that we may soon require 40 cents out of every dollar of national income to cover government expenditures, which is about the same as the present tax take in England.

It is very difficult to develop public understanding of the implications of government spending at the present rate of almost 27 cents of every dollar of national income—or at the possible future rate of 40 or 50 cents out of the dollar.

Students of economic history have said that when a nation spends more than 25% of its national income for government it is in the beginning of national deterioration. When a government takes these great percentages of income, there is little left for saving and investment. When saving and investment are sufficiently restricted, free enterprise must disappear. Wtihout the investment of private risk capital, business cannot grow, and government must assume ownership and direction of the economy. That, of course, is socialism, and socialism has been accurately described as "a way station on the road to communism."

Loss of Incentive

The steeply graduated Federal income tax not only destroys savings and investments but removes incentive for enterprise. Only a few years ago an ambitious American could develop a business, knowing that the success of that business would reward him with a large personal income and perhaps with a substantial estate subject to his own disposal to his heirs or to institutions of his choice.

Today the American who develops and directs a business is deprived by taxes of a large part of his personal income. Taxes take from 52 to 70% of his company's profit. Dividends paid to his stockholders are taxed again as part of the recipients' personal income. Knowing that he cannot increase his capital by selling his company's securities, he must refrain from paying generous dividends in order to retain profits for business expansion.

High estate taxes deprive him of the incentive of accumulating a fortune for the benefit of his heirs. Young Americans, no matter how able and courageous, cannot be imbued with the spirit of enterprise that animated their fathers, not only because incentives have been destroyed, but because they have been indoctrinated with the specious philosophy of "social security." Like the dog in Aesop's fable, they lose the substance by striving for the shadow.

The elimination of incentive may be just as destructive to free enterprise as the shrinkage of investment funds.

Incidentally, Russia, since 1935, has established and promoted most effective incentives for her citizens—be they industrial workers, managers, scientists, artists, soldiers or others. History may note the fact that in the same period when incentives were being destroyed in the United States of America they were used most effectively in Russia.

The Impact of War?

All of us are uneasily conscious of the fact that an accelerated defense program may at any time be imposed upon us.

The result of such transition would be to accelerate the development of forces opposed to freedom. Taxes would be greatly increased. We would be subjected to the most severe governmental controls we have ever known. Such measures, superimposed upon our present debt, tax and bureaucratic structures, must result eventually in greater inflation or dollar devaluation and in bureaucratic control that may pass "the point of no return."

Unfortunately, such developments as I have described have a way of growing upon us until we reach "the point of no return." There is much evidence that England has already passed that point and that the United States rapidly is approaching it. No thoughtful person seriously believes that the wayward economic and social trends in England can be reversed by the Conservative Party. Have the people of the United States been so demoralized by the effects of taxing and spending and by devotion to the fetish of social security that we have passed "the point of no return"?

Conclusion

The terrible problems that plague us in these days of confusion and controversy are the fruits of indifference, complacency, ignorance and wrong thinking on the part of the people of the United States. In this republic our public servants, by and large, reflect the moral and mental qualities and the will of the people. In great measure we get exactly the kind of government we deserve. Daniel Webster remarked many years ago that "God grants freedom only to those who love it and are always ready to guard and defend it."

Through the slow awakening of the electorate, a generous Providence has granted this nation a reprieve. Our business leaders, elevated to positions of great authority and terrible responsibility, are confronted by problems more numerous and more complex than any government has faced in the world's long history. It is the plain and inescapable duty of all American businessmen to devote their strength and ability to the support of our able and unselfish leaders in government. We must understand our complex economic, social and political problems. We must resolve to undertake the burdens and hazards of leadership. We must become clearly articulate. Our voices must be heard above the clamor and confusion of demagoguery.

Then and then only can we look forward with calm confidence to the certainty that our government will meet the great domestic and world problems that it faces. Then and then only can we look forward to a happier day of unity and peace.

English Gold and Silver Market

The quarterly bullion letter of Samuel Montagu & Co. Ltd., London, England, written under date of July 1 is given below:

GOLD

The amount of gold held in the Issue Department of the Bank of England is unaltered at £356,823.

The Bank of England's buying price for gold remained unchanged at 248s/0d. per fine ounce, at which figure the above amount was calculated.

It was announced by the Treasury that, during May, the sterling area had a gold and dollar surplus of $48 millions; this compared with surpluses of $107 millions in April and $63 millions in March. At 31st May, the reserves stood at $2.321 millions. The May surplus arose after taking account of receipts from the United States of $13 millions as defense aid and the receipt from the European Payments Union of $21 millions, representing that part of the April surplus of £15,300,000 which was settled in gold or dollars.

The gold output of the Transvaal and Orange Free State for the months of March, April and May, 1953 is shown below, together with figures for the corresponding months of 1952 for the purpose of comparison:—

	1953	1952
	(fine ounces)	
March	990,115	981,561
April	981,219	963,436
May	997,896	1,012,817

The international free gold markets have been very quiet indeed during the past quarter and apart from one or two recoveries due to temporary factors, there has been a steady fall in the price. In Europe at the beginning of April, the price was just above $37 and the quarter closed at a few cents under $36.50.

In the Far East, the prospects of a truce in Korea caused a further contraction in an already small market and the volume of business has been well below what is usually regarded as normal.

In the Middle East, markets have also been very quiet largely, of course, due to the fact that the Monsoon period is not conducive to the smuggling of gold into India.

The recurrent political crises in France might have been expected to cause much more activity in the European market than was in fact the case. It would appear that the shortage of money in the hands of would-be speculators is a more cogent factor than their inclination. The political developments in France have caused fairly large fluctuations in the quotation of gold against francs, but since the paper dollar moves roughly at the same time and in the same ratio as gold, the international market is only affected when the demand is such that supplies have to be brought in from outside France.

SILVER

Throughout the second quarter of the year, the official cash price ruled unchanged at 74d. per ounce .999 fine. The two months' price was quoted unchanged at 74d. until April 15, when, in face of offerings for forward delivery from the market, it was lowered by ¼d. to 73¾d; it remained at that figure for the remainder of the quarter.

There was a moderate enquiry for silver for essential industries and this was met partly by sales from official stocks and partly by silver made available from "free" market sources owing to lack of demand from elsewhere.

The New York quotation was quoted unaltered at 85¼ cents per ounce during the period under review.

Despite the general inactivity last quarter in the "free" market, two items encourage hopes that the London Silver Market when finally decontrolled will have little difficulty in regaining its prewar eminence as a world market.

At the end of April, having failed to get a satisfactory bid from New York, the Japanese Government invited bids from London for about three million ounces bar silver prompt shipment from Japan. Successful bids were submitted by various London firms and the whole amount shipped to this country. It is understood that the bulk of this silver was resold to the authorities here to replenish official stocks.

Early in June, the Swedish Royal Mint invited tenders for the supply of about 640,000 ounces silver for coinage, and again the London Market was able to secure the whole of this contract.

Investment Serv. Formed

PHILLIPSBURG, N. J. — Phil Bugen is engaging in a securities business under the firm name of Investment Services, Inc., with offices at 326 Warren Street.

To Be Exchange Member

Transfer of the Exchange membership of the late Herman E. Jurgens to Fergus Reid, Jr., will be considered by the New York Stock Exchange on July 30.

Harry L. Hammond

Harry L. Hammond, partner in Hammond & Fisher, New York City, passed away, July 12.

Two With Nelson Burbank

(Special to The Financial Chronicle)

BOSTON, Mass.—Myra F. Allen and Nelson L. Allen has become associated with Nelson S. Burbank Company, 80 Federal Street.

Mutual Funds

By ROBERT R. RICH

PURCHASES OF securities for their investment portfolios by 111 open-end investment companies, or mutual funds, substantially exceeded their sales of such securities during the quarter ended June 30, 1953, a period of generally declining markets, the National Association of Investment Companies announced yesterday. Securities bought (excluding U.S. Government securities) totaled $246,514,000, whereas total sales were $130,593,000, the Association said.

Total net assets of the 111 mutual funds were $3,861,924,000 on June 30, 1953, compared with $3,931,407,000 on Dec. 31, 1952, and $3,510,593,000 on June 30, 1952. Thirty-three closed-end companies had net assets of $900,358,000 on June 30 last, as against $978,096,000 six month earlier and $1,001,739,000 a year ago. Total net assets of all the 144 members of the Association were $4,762,282,000 on June 30, $4,909,503,000 at the end of 1952 and $4,512,332,000 on June 30 last year.

Sales of new shares by the 111 mutual funds amounted to $359,565,000 for the first six months of 1953, and net sales after redemptions were $228,162,000. Gross and net sales for the same period last year were $378,371,000 and $279,811,000, respectively.

CONTINUED HIGH level of earnings for Class I railroads, even if traffic declines moderately is indicated in the July "Perspective," Calvin Bullock's economic bulletin which however, considers the industry vulnerable in the event of a drastic drop in freight traffic.

Its analysis finds the improvement in most of the income account ratios "not very impressive and profit margins not as good as one might expect in an industry with a high degree of leverage, particularly in view of the current peak level of industrial production."

Over the 13-year period in which railroad operating revenues increased from $3.9 to $10.5 billion and despite progress in dieselization, transportation and maintenance costs — the roads' major expense items—consumed a larger proportion of revenues in 1952 than in 1939.

Diesel power handled 65.5% of gross ton miles in 1952 and 80.3 of engine hours in yard service. Further employment of diesels will help but the analysis concludes that this new form of motive power will not offset a rising transportation ratio when gross revenues decline.

The best showing made by Class I railroads has been in the reduction of total charges by 22%. Currently total charges amount to only 4.6% of gross revenues compared with 15.8% in 1939.

The Bullock study sees the cost reduction program continuing at a somewhat slower pace and finds promise in the current awareness of railway management to the numerous opportunities to effect savings.

"At present market levels current returns are generous in many instances although the proportion of earnings paid to stockholders is not," "Perspective" states. "In most cases current dividend rates are below 40% of earnings. Thus, there is ample earnings protection for current payments, but more than that the slowing down of capital expenditures in conjunction with strong working capital positions augurs well for additional increases in annual payments to stockholders."

OF ALL TYPES of investment managers only the mutual fund operates in the glare of full publicity, says the July issue of Group Securities "Brief Case," published for dealers and their clients. In this it sees a challenge that competition does not meet.

"No other type of investment advisor ever produces an authenticated record of what all of its clients actually have accomplished for a period of years," the publication states. "Only the mutual fund is severely confined—by its own self-censorship in cooperation with a Government commission—in what it may say in support of its conviction that its method is best for the great majority of investors."

"Brief Case" invites the reader to "ask your investment dealer to show you the actual C. P. A audited record of the mutual fund or funds that in his opinion will suit you best. Ask any critic of that record to show you a better one."

THE FORTNIGHTLY letter of Delaware Fund sees the dull markets of the past three weeks as typical of the "sold-out" condition prevalent at many previous important turning points.

There is no proof, the letter notes, that June 16, last, marked the end of the bottom of the intermediate reaction that began in the first few days of 1953. "Taken together," the latter goes on, "with the continuance of excellent business volumes and forward orders, and the apparent liberalization of Treasury policy toward interest rates, it contributes to an array of circumstantial evidence pointing to that conclusion."

The Fund reported that it continues to maintain a fully invested position, with heaviest representation in the electric utility and rail industries.

INVESTORS purchased more shares of The George Putnam Fund of Boston during the first six months of 1953 than in any previous six month period, it has been announced by George Putnam, Chairman of the Trustees.

The net amount of new money received from investors during the half year reached a new high of $5,166,000, an increase of 51% over the same period last year. Total net assets of The Putnam Fund amounted to $62,200,000 as of June 30, 1953, compared with $61,500,000 at the year-end and $57,100,000 12 months ago.

FRANK L. VALENTA & Co., Inc., has announced that Chapman & Co., Inc., 84 State Street, Boston, Mass., has been appointed wholesale distributor for Natural Resources Fund, Inc. and Natural Resources of Canada Fund, Inc., in Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York State (except New York City and Long Island), New Jersey, Pennsylvania, Delaware, Maryland, Washington, D. C., and West Virginia.

Chapman & Co. is headed by John V. Chapman. The firm is well known among mutual fund sales organizations. The firm also wholesales the shares of Television-Electronics Fund, Inc. and Hudson Fund, Inc. Associated with Mr. Chapman are A. C. Laurentz and Reginald W. Saxton.

Natural Resources Fund shares were initially offered generally to the public in February, 1950, and the Fund today has net assets of $3,840,074. There are 2,914 shareholders located in 38 states. Natural Resources of Canada Fund shares were offered initially generally to the public in June, 1952, and the Fund now has net assets of $1,400,000. There are 2,270 shareholders located in 25 states.

OPEN-END REPORTS

NET ASSETS of Commonwealth Investment Company totaled $61,470,000 at the close of business on June 30, 1953, the company reported today. This compares with net assets of $60,248,000 on Dec. 31, 1952 and $52,026,000 at the end of June, 1952. There are over 38,500 shareholders on the company's books at the present time.

Commonwealth's portfolio is made up of 325 individual securities, with 65.2% in common stocks, 21.3% in preferred stocks, 7.8% in corporate bonds, and 5.7% in cash and government bonds.

On June 30, the largest industry holdings were public utilities, electric, 14.8%; oil, 12.4%; chemicals and drugs, 6.3%; merchandising, 4.9%; and foods, 4.9%.

During the first six months of 1953, distributions have been paid in the amount of 12 cents a share from investment income and three cents per share from realized capital gains.

CENTURY SHARES Trust, oldest and largest open-end investment company specializing in insurance company and bank stocks, reports for the six months ended June 30. 1953, total net assets of $31,950,397 with 2,161,840 shares outstanding, equal to a net asset value per share of $14.77. This compares with a net asset value per share of $14.58 as of June 30, 1952.

During the six months' period. the trust paid dividends from net investment income of 10 cents per share on March 26 and 11 cents per share on June 26. As of June 30, the trust's porfolio contained the stocks of 61 different insurance companies and banks classified as to percentage of assets as follows: casualty insurance companies, 11%; fire insurance companies, 50%; life insurance companies, 20%; insurance holding companies, 2%; New York banks and trust companies, 8%; other banks and trust companies, 8%. The balance of holdings, amounting to 1% was in U. S. Treasury obligations.

BROAD STREET Investing Corporation has continued to emphasize common stock investments in its portfolio, according to the 94th quarterly report of this diversified mutual fund released today. At the end of June, common stock holdings represented 88.5% of the corporation's $31,695,720 of net assets. The report discloses that during the first six months of 1953 Broad Street Investing purchased securities, other than U. S. Government securities, with a value of $4,653,569 and made sales from its portfolio totaling $1,328,336. The net increase of $3,325,233 is equivalent to 10.5% of June 30 net assets.

According to the report, Broad Street Investing shares had an asset value of $21.19 on June 30, 1953. This compares with $22.83 at the beginning of the year and was 4.3% less than a year earlier after adding back the distribution from realized gain on investments of 45 cents per share made in 1952.

Commenting on the continued over-all emphasis on common stocks by the corporation, Francis F. Randolph, Chairman of the Board and President, points out that changes made in individual portfolio holdings during the second quarter favored the stocks of companies that might be expected to show resistance to a cyclical downtrend in general business activity.

NATIONAL INVESTORS Corporation, in the 65th quarterly report of this growth stock mutual fund released today, reports an increase of 16.1% in shareholders to 11,648 owning 2,595,884 shares on June 30, 1953, from 10,030 owning 2,345,002 shares one year earlier. Net assets totaled $29,146,203 on June 30 and approximated the net asset figure on the same date last year.

National Investors shares had an asset value of $11.22 on June 30, 1953, as compared with $12.23 at the beginning of the year. Adding back the distribution from realized gain on investments of 41 cents per share paid in 1952, the June 30, 1953, asset value was equivalent to $11.63 as compared with $12.50 one year earlier.

Commenting on the present business situation, Mr. Randolph notes that it continues to appear that business will remain active, with 1953 as a whole promising better than 1952. He cautions, however, that the economy appears to be operating near capacity and indications of further advance in the rate of activity are lacking with recent developments pointing more in the direction of some shrinkage before the end of the year. He goes on to add that some typical end of the boom signs appear to have been developing steadily with the result

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Price Index Reaches 1953 High

RETAIL PRICES of consumer goods and services in New York advanced 0.5% in June it was announced today by Robert R. Behlow, Regional Director of the U. S. Department of Labor's Bureau of Labor Statistics. The New York Consumer Price Index reached a 1953 peak in June as the result of substantially higher prices for food. The New York index on the 1947-49=100 base is 112.0. Since June, 1952, retail prices in New York City have advanced 1.0%.

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The Security I Like Best

capital stock; this company is a producer of fertilizers, sulphuric acid, fungicides, and insecticides, with most of its officials the same as those of Miami.

Earnings: With price ceilings removed from copper, and the present price around 30 cents per pound, earnings for the first half of 1953 are estimated around $2.50 per share or better, vs. $2.11 per share. Full year results can conceivably reach the $4.00 per share level (vs. $3.54 last year), possibly better, depending upon the course of copper prices and accounting for development expenses.

Since Castle Dome is to be depleted somewhere in the fourth quarter of this year, and the plant and equipment have to be moved to the incoming Copper Cities mine, a "gap period" will take place over a good part of 1954 after the depletion of Castle Dome but before initial production of Copper Cities. Even though output then may be only half of this year's total, earnings may be better than many quarters anticipate. A rental which heretofore has been paid to the R.F.C. for the Castle Dome plant (last year $3.3 million) will no longer have to be paid and this means a substantial cushion on earnings. I, therefore, feel that 1954 earnings are more than likely to cover the $2.00 annual dividend, with a tentative "guess-timate" of around $2.50 per share.

Looking beyond 1954, the earnings **outlook** appears better defined than for most mining organizations. I feel that the lion's share of reserves can be considered firmly sold, based upon the government contracts, and thus Miami Copper is reasonably assured of an average earning power estimated in the neighborhood of $3.50-$4.00 per share, between 1955 and the early 1960's.

It is my feeling that the $2.00 annual **dividend** is likely to be continued, despite the somewhat lower earnings expected next year, in view of the strong cash position and the expected stability of company's business. Furthermore, it would not be surprising to witness disbursements placed on a more regular basis.

In **summary**, there are factors which provide more than adequate coverage for payment of $2.00 per share annually through 1961, and one can calculate by that year net liquid assets in the $35-40 per share area, perhaps more. Ultimate disposition of such assets must remain conjectural at this stage. Meantime, the possibility should not be overlooked of development of additional deposits, or other corporate developments.

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The Factors Back of Rising Interest Rates

of the war beyond 1945 would have run into the early stages of firming interest rates.

Private Debt Expansion

The third development has been the expansion in private debt since the end of the war. This has been superimposed on the huge Federal debt that was created during the war. Although there was some dip in the U. S. debt during the postwar years, the financing of the Korean episode and the rearmament program have virtually nullified this dip so that it can be said that the Federal debt is the same now as at the end of 1945. This private debt then has been placed upon a structure that was even then completely occupying the credit foundation established by the gold stock. Hence, the demand for credit has expanded that side of the equation and to balance it money rates have had to firm.

Of course it must be said that the Federal Reserve System could have moderated this postwar rise in interest rates but would have had to foster an increased pressure of the inflationary potential to have done so. This was moderately frowned upon during the late 1940s and has been more of an anathema since the "accord" of early 1951. Now the Treasury Department — indeed the whole Administration—is also opposed to fanning the flames of inflation, and except for recent acts such as lowering reserve requirements, the Federal Reserve policy which has prevailed ever since William McChesney Martin became Chairman, should be considered as its prevailing course of action for some years to come.

The fourth development has been the obvious rise in interest rates during the postwar years and the steep advance in more recent months. This is a very natural occurrence and reveals that our economy is being governed by natural economic laws rather than being guided by the artificial laws and restrictions of Capitol Hill.

What of the Future

Thus is the background of the past traced very briefly. What of the future or the outlook for interest rates and money-rate securities? This will be governed by the supply-demand relationship of credit. The supply side will be governed by the size of the gold stock; the demand side will be governed by the magnitude of our economy.

The gold stock has remained at a relatively constant high level for the past 10 or 12 years, but is off about 10% from the highest peak reached. It will probably not get substantially larger in the next few years. There are only two sources from which an inflow of gold could come. The first is gold production in the United States for other than commercial or art purposes, and this will tend to raise the gold stock very slightly. The second is the importation of foreign gold and this is much less likely. The European nations are striving for gold to replenish their extremely depleted reserves, and the United States has followed a policy of encouraging this development. Indeed the U. S. policy and the growth in European gold have been the chief cause for our 10% loss of the yellow metal. Hence, it would appear reasonable to assume a stable to slightly lower gold stock in the United States during the coming years.

The demand for credit, however, will continue to grow as our economy continues to expand. It will grow, proportionately, even more rapidly than our overall economy because both private and corporate cash positions were so strong at the start of the postwar period. Now this cash is sinking in proportion to business volumes and borrowing is filling the gap. This growth in loans will, of course, not follow a straight advancing line but the obviously rising pattern will accompany a rising Gross National Product. There are certain observers who are looking for a drop in GNP late in 1953 or early 1954 and such a development would of course tend to reduce the volume of loans. However, such a drop would be only temporary and would merely cause a little delay in the growth in loans.

Federal Reserve controls will modify this rising trend of interest rates when the advance becomes too rapid as recently experienced. This will modify interest rates, and bond prices will not be continually under pressure as they have been this past spring. On the other hand, the dominant trend in interest rates and the prevailing downward course of bond prices during the next few years should tend to discourage individual investors away from money-rate securities; their interest will become more and more attentive to the quality common stocks that yield rather fabulous returns.

White, Weld Group Offers El Paso Nat. Gas Preferred Stock

White, Weld & Co. headed an underwriting group which offered yesterday (July 22) 200,000 shares of El Paso Natural Gas Co. 5.65% cumulative preferred stock at par ($100 per share) plus accrued dividends from June 1, 1953.

Proceeds of the sale, together with the proceeds of the initial $24,000,000 instalment of a new bond issue being sold directly to a group of institutional investors, will be applied to the payment of the company's outstanding bank loans, aggregating $38,000,000, which were incurred primarily to finance part of the cost of the company's program to enlarge the delivery capacity of its pipe line system by 400 million cubic feet per day.

The new preferred stock will be entitled to cumulative dividends at the rate of $5.65 per share per annum from June 1, 1953, payable quarterly beginning Sept. 1, 1953.

Commencing June 1, 1957, the new preferred stock will be provided annually with a fixed sinking fund of 2% per annum plus an additional 3% contingent on earnings.

The stock will be redeemable at the company's option in whole or in part at any time on not less than 30 days notice at $110 per share plus accrued dividends prior to June 1, 1954 and at prices declining thereafter one point each year until June 1958 and at $105 per share thereafter. The sinking fund redemption price, beginning June 1, 1957, will be $100 per share plus accrued dividends.

El Paso Natural Gas Co. owns and operates a pipe line system supplying gas at wholesale to customers in west Texas, New Mexico, Arizona and California. By far the largest volumes of the company's gas sales are made to Pacific Gas & Electric Co. and Southern California Gas Co. and Southern Counties Gas Co. of California.

For the 12 months ended April 30, 1953, total operating revenues of El Paso Natural Gas Co. amounted to $86,457,264.

Joel Pope Opens

BRANSON, Mo.—Joel W. Pope is engaging in the securities business from offices at 207 Commercial Street.

Joins Beer & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Norris A. Broyles, Jr. has become associated with Beer & Co., Trust Co. of Georgia Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

One of the most significant and interesting features of the bank operating statements for the first half of the current year was the accounting treatment of taxes and security losses by the different institutions.

The tax problem was particularly complicated because of uncertainties with respect to the excess profits taxes. Some banks accumulated excess profits tax reserves which are not likely to be needed later in the year because of the security losses to be realized. In other instances some banks did establish security losses which had the effect of reducing their tax liability. How the various institutions handled the accounting for such items and how they were reported to stockholders was one of the primary determinants of the increase or decrease in earnings reported for the period.

These same factors will continue to exert an important influence on earnings for the remainder of the year. Therefore, it is necessary in attempting to determine the earnings' prospects for the full year, to give more than the usual attention to the individual operating reports for the first six months, especially with respect to the tax and security losses factors.

For purposes of illustrating a portion of the foregoing, the reports of the Guaranty Trust for the six months ended June 30, 1953 and 1952 are appropriate.

Earnings, Six Months June 30th

	1953	1952	Change
Operating Earnings—			
Loan interest	$21,227,947	$18,863,878	+$2,364,069
Sec. interest & dividend	6,430,677	7,314,290	— 883,613
Other oper. earnings	6,522,602	7,382,931	— 860,329
Total operating earnings	34,181,226	33,561,099	+ 620,127
Interest paid	646,660	526,783	+ 119,877
Salaries and wages	7,583,427	7,728,864	— 145,437
Deposit insurance	325,000	425,000	— 100,000
Other operating expenses	3,702,755	3,867,435	— 164,680
Total operating expenses	12,257,842	12,548,083	— 290,241
Net pre-tax oper. earns.	21,923,384	21,013,016	+ 910,368
Income taxes	10,950,000	10,910,000	+ 40,000
Net operating earnings	10,973,384	10,103,016	+ 870,368
Security profit or (losses)	*1,026,411*	35,370	— 1,061,781
Recoveries, etc.	120,829	580,692	— 459,863
Net profit	$10,067,802	$10,719,078	— $651,276

In the above figures it can be seen that although pre-tax net operating earnings were higher by $910,000 in the first half of 1953, the provision for income taxes increased by only $40,000. The principal reason for this was that the bank realized a $1,026,411 loss on securities on which it was able to effect a sizable tax saving and thereby reduce the overall tax liability.

Had it not been for this fact, there would have been little, if any, gain in net operating earnings for the period as the tax on operating earnings would have been higher. In spite of the sizable tax saving, however, the bank still accumulated taxes at the rate of approximately 50%, indicating that there may be some provision for possible excess profits taxes included in the tax figure. Whether or not such provision will be needed will depend upon the course of events in the last half of the year.

It should be realized, however, that the decline in the bond market has resulted in sizable book losses for practically all banks. By establishing these losses for tax purposes, the banks can reduce their tax liability by 52% of the loss or in cases where banks are paying excess profits taxes, by an even greater percentage. Thus the incentive to effect tax savings by taking security losses in the last half of the current year will be great.

Also, it is interesting to note that where switches are made and a capital gain occurs at some later date, the gain is taxed at only 26%, making it all the more advantageous to minimize taxes by taking losses in the current year.

Because of the foregoing we would expect that tax considerations resulting from security transactions will be one of the most important determinants of final earnings in the last half of the current year.

$25,000,000 Issue of Maryland Road Bds. Offered to Investors

Union Securities Corporation, New York City, and associates are offering $25,000,000 State Roads Commission of Maryland 4%, 2¼%, 2½% and 2.60% State Highway Construction Bonds, Series E, due Aug. 1, 1954 and 1968 inclusive. The bonds are priced to yield from 1.80% to 2.65% according to maturity.

Other members of the underwriting group include: Halsey, Stuart & Co. Inc.; C. J. Devine & Co.; Eastman, Dillon & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Bear, Stearns & Co.; Hallgarten & Co.; Lee Higginson & Co.; A. C. Allyn and Company Incorporated; Hemphill, Noyes & Co.; Harris, Hall & Company (Incorporated); Hornblower & Weeks; Central Republic Company (Incorporated); Coffin & Burr Incorporated; Braun, Bosworth & Co. Incorporated; Stroud & Company Incorporated; Dick & Merle-Smith; Reynolds & Co.; Schoellkopf, Hutton & Pomeroy, Inc.

Hayden, Stone & Co.; W. E. Hutton & Co.; Kean, Taylor & Co.; R. S. Dickson & Company Incorporated; Ira Haupt & Co.; F. W. Craigie & Co.; King, Quirk & Co. Incorporated; Wm. E. Pollock & Co., Inc.; Hirsch & Co.; R. H. Moulton & Company, Francis I. duPont & Co.; Roosevelt & Cross Incorporated; McDonald & Company; Mullaney, Wells & Company; Blunt Ellis & Simmons; Andrews & Wells, Inc.; Paul H. Davis & Co.; R. D. White & Company; Rand & Co.; Tripp & Co., Inc.; Merrill, Turben & Co.; Courts & Co.; G. C. Haas & Co.; Arthur L. Wright & Co., Inc., and Burns, Corbett & Pickard, Inc.

Opens Offices

(Special to The Financial Chronicle)

VISALIA, Calif. — Mabel S. Mitchell has opened offices at 112 North Church Street to engage in the securities business.

Joins du Pont Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—Francis T. O'Donnell II has joined the staff of Francis I. du Pont & Co., 121 Southeast Second Avenue.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The better feeling which has been in evidence in the government market has tended to bring in buying in selected long-term issues. According to reports, small investors have been largely responsible for the increased activity. It is indicated that the combined total of these purchase orders has been sufficient to make a favorable impression upon quotations because the market for government obligations other than the shortest-term ones is still on the thin side. There is a bit more of the averaging type of buying appearing and this, along with switching operations, has been helpful to the market as a whole.

The real demand, however, for government securities is still in the nearest term issues because there is a great deal of caution around which will not be quickly dissipated. As a result, the liquidity preference continues to hold as prominent a place as ever among buyers of government securities. There has been, nonetheless, a better demand for the intermediate term issues especially those selling at a discount.

Cautious Buying Policy

The action of the government market seems to indicate that there is a continuation of the recently adopted programs among investors, namely that of filling in maturities as well as the putting to work of limited amounts of new funds when and where conditions warrant such a course of procedure. There have been some good-sized orders in the market from time to time but as a whole there has been a large number of smaller orders which as a group have tended to give prices a fillup. In spite of the somewhat better feeling in the market, it is still not too broad an affair and, according to some money market followers, it is not likely to show much change until there is more definiteness in the general situation.

Better Tone for New 3¼s

Institutional investors, with the corporate and municipal calendars on the light side for the next few weeks, have been doing some spot buying here and there in selected Treasury issues. According to reports, the 3¼s continue to get the bulk of the attention and quite a bundle of the longest government issue has been taken by investors at the par level which was the original offering price for this security. To be sure, there have been good buying orders around for the 3¼s of 1978/83, and when it was no longer possible to get this obligation at 100, there was a step-up in bid prices which took quotations of this issue again to a premium above the offering price. However, on the other hand, not a few of those that were supposed to be sellers when quotations went back to par have withdrawn their bonds waiting to see what might develop. This action has helped to create a better tone as far as the new issue is concerned.

Long 2½s in Demand

The longer-term 2½% bonds had been somewhat on the neglected side even though there has been a rather constant demand in not large amounts from certain institutional investors, mainly those that were making commitments for the purpose of averaging prices. There has been and still is a fair amount of activity in these bonds from the switching angle, with no particular group of investors assuming a really prominent place in this type of operation, although savings banks and certain fire and casualty companies have been among the leaders in these trades. Commercial banks are still taking tax losses, with the out-of-town institutions now assuming a more active role in the switch and swap business.

Intermediates Under Accumulation

The intermediate-term Treasury obligations have been under accumulation, according to advices, with the yield after taxes the important factor in these purchases. In addition, there are the prospects of price appreciation which has been given some consideration in these commitments. The 1½s due 3/15/55, the 1½s due 4/1/56 and the 1½s due 4/1/57, according to reports have been among the favored intermediate-term issues with the 1½s due 10/1/57 and 4/1/58, coming in for a somewhat lesser amount of attention. The 2¼s due 6/15/59/62 still seem to be among the better liked bonds and according to advices there are plenty of spots for this issue, especially when switches are being made.

Partial Exempts Well Taken

The partially-exempt obligations continue to find homes when they come into the market which has been a bit more frequent than was the case formerly. It seems as though the increase in the supply of state and municipal bonds has resulted in a few more of the partially exempt Treasury issues appearing in the market for sale. The 2¾s due 1960/65 as well as the 2¾s of 1958/63 are the leading issues although the 2⅞s due 1955/60 have been in the limelight also.

Debt Limit Increase

According to informed sources, an increase in the debt limit is to be expected because the Treasury needs a certain amount of leeway to take care of contingencies that might arise.

E. D. Mendenhall With Somerset Securities

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ernest D. Mendenhall, Jr., has become associated with Somerset Securities Corporation, 235 Montgomery Street. He was formerly a partner in Colvin Mendenhall & Stine.

Philip Malmin Joins Hemphill, Noyes Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Philip L. Malmin has become associated with Hemphill, Noyes & Co., 510 West Sixth Street. Mr. Malmin was formerly with Shearson, Hammill & Co.

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Reviewing Our Foreign Policy

bullets and pamphlets and agents provacateur. We know that by helping others to help themselves we are on the right road to winning a continent. Let's have the courage to stick to the long pull of helping others. It will, in the long run, defeat the subversion and power politics of the Kremlin.

In the meantime the spectacular and discouraging prospect in Korea takes the headline. I personally feel that here on that long-suffering peninsula has been written and is still to be written one of the United Nations' most important pages in world history.

Even if we can't see through the Iron Curtain of the 38th Parallel in Korea and glimpse the future there, there is some advantage in looking backward to see the distance we have covered and see if any progress has been made for world peace along an unblazed trail.

Military leaders speak about "blooded" troops — troops who have been under fire and who are battle-experienced for the next engagement. They know the errors, the price of inexperience and the unnecessary losses that occur when troops go into their first battle.

So it is, I believe, with the United Nations' action in Korea. Not only were the troops green, but also the member nations were even more inexperienced in the first experiment of a world organization seeking militarily to put down aggression.

While it is true that much of the burden—too much—fell on the United States and on the South Koreans, this collective effort of the United Nations has kept a vital part of Asia from falling overnight behind the Iron Curtain. It marked the first time in history when the world community of nations sanctioned and supported a police action or war against aggression. It is further the first example of nations standing together for a long and bloody sustained action for peace and peace alone.

It had to blaze new trails, it had to resist pressures to expand the war along the MacArthur theory, to confer together to limit actions which this nation unilaterally would have probably taken. Perhaps our allies of the United Nations made some mistakes—but the good that has been gained through cooperation and teamwork as partners for peace far offsets any military expansion we have withheld.

In some future year the situation may occur in another part of the world where other nations might wish to institute certain military moves such as blockades. There we might be the ones to ask that they withhold action which other nations on their own might have wished to take.

This action by the world community of nations has shown the western world that the United Nations is more than a speaking forum and that aggression anywhere in the world against a free nation will not be permitted.

While many will dispute me on this point, I believe, too, that the Korean action has had an important effect on Asia as well. Instead of losing face by our refusal to bomb China's cities, instead of expanding the war to a continental war, it has been one to repel aggression at the point of aggression without the customary war aim of driving to the heart of the combatant's country and destroying it. I believe that the oriental mind can perhaps understand and appreciate the distinction of the "police action" nature of this war more than the western mind can.

I further believe that had the United Nations not moved as the beachhead at Pusan shrunk to a bare 20 miles in diameter on June 28, 1950, that we would have set back the cause of peace and would have lost all Asia for 100 years.

Regardless of how the cease-fire comes out in Korea, all Asia knows that Communist aggression will be met by force. As they become disillusioned by the false promise of Communism to aid them in their nationalistic aspirations and recognize their subjugation as puppet states of the Kremlin, this memory of the United Nations' action in Korea will be of great importance. Had we withdrawn we would have handed the Communists a quit-claim deed to that continent and a perpetual mortgage on the lives and souls of its millions of human beings.

The vacuum of power into which the Communists sought to move in Korea and the rest of Asia will be corrected in a few years with the recovery of Japan. India and Pakistan also offer hope for stability. Korea has purchased time for Asian recovery and some degree of stability. Not as many empty seats will be available for the Communists to take over as there would have been had the United Nations turned its back on Korea.

Lessons From Korean War

But out of Korea come lessons that it would be foolhardy to ignore. As the first testing ground of United Nations in battle for peace, many weaknesses of this action cry for correction and change.

To my way of thinking the experience in Korea raises as its most fundamental issue the question of whether the enforcing machinery of peace can longer be left to the forces of the member nations. I am certain that the United States, weary of the three long years that our troops have been in the battle line in preponderant numbers to other nations, will not again undertake this major burden of a military action.

I doubt if other larger nations will pick up the burden either.

In 1943 I had the privilege of being one of a group of Senators and Congressmen who barnstormed the country in an attempt to build up sentiment for a world organization of nations—the forerunner of the United Nations. It was the B2H2 resolution by Senators Ball, Burton, Hatch and Hill.

I well remember the hot nights in Minnesota, Illinois and Texas, after our "brave," "ringing" speeches for a world organization when we opened the meeting to questions. Two stand out clearly in my mind. They were the $64 twin questions.

"What about Russia?" And "What about the International Police Force?" Today, some 10 years later, those two $64 questions are still with us.

Our answer to the first was always that we "hoped Russia would finally become a cooperating member of the good neighborhood of nations," but we never guaranteed it. Today that hope is worn but not yet completely dead.

On the international police force it was a question of whether levies of national forces of member nations could and should be used, or whether an international police force should be organized to put down military aggression.

An International Police Force Needed

I believe Korea answers that question after the test of battle. Certainly we should not abandon the right to levy troops of national armies for the bulk of the reserve strength of the United Nations. But I feel the lessons of Korea clearly point out the need—yes, the necessity — of organizing a

United Nations police force for the maintaining of sustained action in stubborn cases of aggression. No individual member nation will be willing in the future to take the heavy load of casualties.

The police force should be recruited from smaller nations instead of from world powers. Enlistment should be on a voluntary basis. The terms of service, the pay and retirement—even citizenship after honorable service in other countries of their choice if they desire—could make a career service in this force attractive enough to provide a standing force of 300,000 to 400,000 men. It should be an elite force, well equipped and ready to move to remote parts of the world on a minute's notice.

The pattern of aggression that it would meet, I fear, may be the pattern of the future. If it could go into the little wars, stay with the job until aggression is repelled, it could well prevent the big wars that are certain to develop if smaller aggressions are ignored.

I suggest that this volunteer police force be recruited from the smaller nations to avoid international distrust and conflict among the world powers. If the soldiers forming this force come from dozens of smaller nations, most of them historic neutrals, there will not be the distrust and fears that would otherwise be present if the force were composed largely of men from the more powerful nations.

Secondly, I believe that an immediate ready reserve of combat and service troops should be required on a definitely pledged basis to help in future United Nations actions. Most of the larger nations should be required to furnish on short notice at least one division of 15,000 men with smaller nations agreeing to troop participation according to their size.

Behind these first-line elite international troops, and the ready reserve troops should be the big reservoir of national troops of member nations which could be made available as a last resort.

I think that this obligation of keeping the peace is everybody's business — the small nation's as well as the large—and that a definite understanding of this obligation must soon be reached if in the future support is to be given to other United Nations actions.

Another lesson we have learned from Korea is that we must have a definite understanding among all nations, including the victim of the aggression what the objective of the action is and the terms of its termination or cease fire. There is always a danger, as in Korea, that the victims of aggression may wish to hold the United Nations forces in the fight to attain objectives beyond that of the original action.

Other means, short of war or implementing a police action, should be carefully studied by the United Nations for such actions in the future. Surely economic sanctions, if clearly understood and generally agreed to before trouble breaks out, could be used. The possibility of an established blockade also should be considered by all nations, its terms and scope agreed upon before trouble develops so that if it is invoked it will not be considered an act of war.

There are so many other problems that could be detailed for the future effectiveness of the United Nations that time will not permit a discussion of all of them.

Trade as Weapon of World Peace

I cannot close without strongly urging that America use one of its greatest weapons for peace and security of the world as one of its major instruments of foreign policy. It is trade.

The American dollar has become the standard currency of the world. A shortage of dollars means depression, unemployment and stresses throughout the world. Our market with the dollar as the goal is sought after not only by friendly nations but also by those behind the Iron Curtain. We have the needs if we can ever learn to use trade as an instrument of foreign policy. We can, we must put a sound economic foundation under the programs we have helped to launch in western Europe and in other parts of the world. These nations, whose recovery we have aided with some $38 billion since the end of World War II, want to earn their way, they want to become self-respecting traders—not mendicants receiving handouts from Uncle Sam. The exporting of dollars instead of importing goods will of necessity soon end.

Friendships follow the trade routes and only by an aggressive policy of accepting more products from other nations can our foreign policy succeed. Trade, not aid, must be its goal.

In conclusion, it would seem to me that the prime need for strengthening our foreign policy and the function of the United Nations is to recognize that this generation is attempting to create an ideal for a world at peace in a world political climate that is filled with violent storms, typhoons and tornadoes.

We of the western world must recognize that our impetuousness, our desire for quick and immediate success in any undertaking, cannot be transplanted to all the world overnight.

The world has been on a haggling basis for centuries. Only in America and to some degree in western Europe is business done on a one-price system. The rest is haggling and bargaining.

We are being naive if we fail to understand this—if we get discouraged over the bickering that goes on—whether in buying an oriental rug or in establishing the peace.

What we bargain for in the United Nations and in kindred organizations is peace for generations. It is worth the trouble to learn how to "out-haggle" those who would oppose it.

Joins Robt. G. Lewis

(Special to The Financial Chronicle)

ROCKFORD, Ill.—Ervin E. Ball is now connected with Robert G. Lewis & Company, Rockford Trust Building, members of the Midwest Stock Exchange. He was previously with Waddell & Reed and Cruttenden & Co.

With Dempsey Tegeler

(Special to The Financial Chronicle)

CHICAGO, Ill. — Charles P. Winters has become associated with Dempsey-Tegeler & Co., 209 South La Salle Street. He was formerly with Shearson, Hammill & Co., and F. S. Yantis & Co., Inc.

La Montagne-Sherwood Co.

(Special to The Financial Chronicle)

PALO ALTO, Calif.—E. C. La Montagne and C. R. Sherwood have formed La Montagne-Sherwood & Co. with offices at 418 Waverley Street. Mr. La Montagne formerly was active as an individual dealer. Mr. Sherwood was with Irving Lundborg & Co., Needham & Co. and Sutro & Co.

Harris, Upham Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — J. Kenneth Lynch has become connected with Harris, Upham & Co., 232 Montgomery Street. He was previously with Hooker & Fay.

Joins Chapman Co.

(Special to The Financial Chronicle)

SAN BRUNO, Calif. — Thomas F. Foley has become affiliated with Chapman Company, 468 San Mateo Avenue. He was formerly with Hooker & Fay and Waldron & Company.

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Banking Policies in Foreign Trade Credit

The customer delivers to the bank the shipping documents together with the draft on the foreign buyer and at the same time draws a draft on the bank for a similar amount. The bank accepts the draft and discounts it at the prime rate. The transaction is liquidated when the collection is completed.

The Federal Reserve Act and Federal Reserve Board Regulations do not define the exact stage at which acceptance financing is to be arranged and the banks have wide discretion in determining at which stage of the exportation or importation the financing may be undertaken. A bank accepting any commercial draft or bill growing out of a transaction of this kind is expected to obtain before acceptance and retain in its files satisfactory evidence, documentary or otherwise, showing the nature of the transaction underlying the credit extended.

Acceptance financing of domestic shipments can be arranged for any type of goods shipped between two points within the United States. The shipping documents conveying title must be attached to the draft or in the possession of the bank at the time of acceptance. The documents must include a straight bill of lading showing consignment to the bank, or an order bill of lading endorsed to the bank. The maturity of the acceptance must not exceed the time necessary to complete the shipment or the usual credit time prevailing in the particular business.

The storage in the United States or any foreign country of readily marketable staples may also be financed on an acceptance basis, provided the draft is secured at the time of acceptance by a warehouse receipt or other such documents conveying title. The borrower is permitted to later substitute the warehouse receipt by a trust receipt or similar document. A readily marketable staple has been defined as an article of commerce, agriculture, or industry of such use as to make it the subject of constant dealing in ready markets, with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the staple itself easy to realize upon by sale at any time. In particular instances, cattle, coal, cotton yarns, flour, potatoes, sugar in bond, and wool have been defined as readily marketable staples, whereas automobiles or automobile tires, automobile parts, sacramental wine in bond and whiskey in bond have been excluded from such classifications. Commodities in warehouse financed on an acceptance basis may be released against a trust receipt.

Government Insurance of Foreign Trade Credits

In recent years buyers in foreign countries have been asking for longer credit terms from U. S. exporters. The efforts to obtain longer credit terms have been intensified during the past year because foreign buyers are able to obtain longer terms from exporters in European countries. In several of these countries government credit insurance guarantees the risks and the exporters can extend longer credit. Countries carrying Government Export Credit Insurance are: United Kingdom, Canada, Ireland, France, Netherlands, Sweden, Italy, Western Germany, Denmark and Norway.

The Export Credit Insurance Corporation of Ottawa, Canada, a Government Agency, offers protection against the main causes of loss arising out of export sales.

The insurance is available for general commodities and capital goods up to 85% of the contract price and covers the following risks:

(1) Insolvency or protracted default on the part of the buyer.

(2) Additional transport or insurance charges occasioned by interruption or diversion of voyage outside Canada or Continental U. S. A.

(3) Exchange restrictions in the buyer's country which prevent the transfer of funds to Canada.

(4) The cancellation or nonrenewal of an Import License or the imposition of restrictions on the import of goods not previously subject to restriction.

(5) The occurrence of war between the buyer's country and Canada; or of war, revolution, etc. in the buyer's country.

The premiums are determined by the country of destination, class of goods and credit terms and are strictly confidential between the exporter and the Corporation.

American subsidiaries or affiliated companies located in Canada and exporting goods from Canada are eligible for such insurance. The exporter is required, as a general rule, to insure his total export business with all countries excluding countries where sales are made against irrevocable letters of credit.

American banks will, as a rule, not extend long-term credit because they carry mostly demand deposits and it would not be a good policy for them to make long-term loans. Liquidity is one of the basic principles of banking.

The Export-Import Bank which was organized for the purpose of assisting American exporters and importers to finance their transactions has in the past years offered little assistance to American exporters.

The Report to Congress of the Export-Import Bank for the period July-December 1952 shows that the Bank's activities are concentrated on making loans to foreign governments and foreign enterprises rather than to American enterprises for the promotion of the export and import trade of the United States. The report states:

"In carrying out its statutory objective and purposes to aid in financing and to facilitate the foreign trade of the United States, the Bank during the past year has continued to make loans to develop abroad sources of strategic and raw materials required in our defense effort and by our expanding industry. . . .

"A substantial portion of the Bank's commitments in the last year have been connected with the development of strategic materials. Some of these loans have long-range implications beyond the immediate demands of the defense program."

During the six months ended Dec. 31, 1952, loans to United States companies amounted to $98,000 (1/20%) of a total of $183,265,000.

Our banks are actively engaged in the financing of exports and imports. They extend credit directly to American exporters or to foreign banks for the financing of American exports. They discount drafts drawn on foreign buyers; establish letters of credit in favor of American manufacturers to pay for goods ordered or shipped; they finance shipments between the United States and foreign countries and between foreign countries; provide spot and future foreign exchange and engage in other financial foreign trade transactions.

Domestic and Foreign Trade Credit Principles Identical

Banking policies in extending credit in international commerce are based on the same principles as in domestic trade. The character, capital and capacity of the borrower as well as the special hazards are taken into consideration. A loaning officer of a bank who is approached for a loan asks himself the following questions: Will the borrower be able to repay the loan at maturity? Is the foreign buyer reliable? Are economic conditions in the buyer's country favorable? Is there a risk that the remittance of the dollar proceeds will be delayed or restricted? Are the risks in the transaction normal or excessive?

Since the bank derives only a minor benefit in the transaction—the earning of interest on the loan—it cannot be expected to assume a major share of the risk. Banks will therefore not extend credit when the risks are excessive. They rely upon the credit standing and responsibility of the customer to whom the loan is made and looks to him for repayment; they will not, as a rule, finance a transaction secured only by the underlying merchandise.

Bank policies in extending credit in foreign trade may be summed up as follows:

(a) The extension of credit is based on the character, capacity and capital of the borrower.

(b) The underlying merchandise is considered as additional security. However banks will not as a rule buy export drafts without recourse.

(c) Credit lines to foreign banks are based upon the standing, capital structure, management and commitments of the bank; and upon the economic and political conditions of the foreign country. Important considerations in extending credit to foreign banks are the collateral benefits such as dollar balances, customer relations, etc.

(d) Banks do not finance long-term foreign transactions because their assets are mostly in demand deposits. They do not consider it good policy to carry long-term liabilities.

There are adequate banking facilities for the financing of normal trade between the United States and other countries. However, the competition by industrial nations whose exporters receive government assistance in the form of insurance or bilateral agreements poses a problem for the American exporter. A solution to the problem must be found if we are to preserve our foreign markets.

Joins F. I. du Pont

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. —William E. Donovan has joined the staff of Francis I. du Pont & Co., 9640 Santa Monica Boulevard. Mr. Donovan was previously with Marache, Dofflemyre & Co. and J. A. Hogle & Co.

With Gerard Jobin

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Emanual M. Davis has become affiliated with Gerard R. Jobin Investments, Ltd., 242 Beach Drive, North. He was formerly with Florida Securities Company and Goodbody & Co.

Clement Evans Adds

(Special to The Financial Chronicle)

COLUMBUS, Ga.— William M. Chesser is now affiliated with Clement A. Evans & Company, Inc., 1241 First Avenue.

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The State of Trade and Industry

year ago with $36,406,878, but a loss of 16.9% from May with $52,-196,126.

Steel Output Set This Week at 96.8% of Capacity

Seasonal influences, vacations and hot weather have taken some of the zip out of current steel demand, says "Steel," the weekly magazine of metalworking, the current week.

But specifications for the major products continue active with overall requirements still outpacing supply and steelmakers holding full order books for the third quarter in most items. Fourth quarter business, it states, is coming in at such rate as to promise high-level steel operations through remainder of the year, barring, of course, an unexpected wave of order cancellations.

Whether supply will overtake demand in fourth quarter, as has been predicted, remains in the realm of speculation. Cross-currents of strength and weakness are present to lend to market uncertainty. Trade opinion, as a result, is somewhat mixed as to future prospects, continues this trade weekly.

The current slight seasonal easing in market tension is not seen as indicative of any early marked change in conditions from those recently prevailing, states "Steel." Nothing more than the usual summer lull is thought reflected. Expectations are steel consumption will pick up steadily as the vacation season wanes with orders on steel mill books pointing to little, if any, relaxing in delivery pressure going into fourth quarter, observes this trade journal.

The market has settled down price-wise after a month or so of adjustment in which time virtually all producers, with the exception of the premium-price mills, announced new and higher schedules.

The hectic pace of steel production in the first half of this year, if continued through the last six months, will result in the chalking of a new all-time production record in 1953, 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 96.8% of capacity for the week beginning July 20, 1953, equivalent to 2,183,000 tons of ingots and steel for castings as against 94.7% (revised), or 2,134,000 tons a week ago. For the like week a month ago the rate was 96.8% and production 2,183,000 tons. A year ago the weekly production was placed at 317,000 tons and the operating rate was 15.3% of capacity, due to a general steel strike.

Car Loadings Rise 7.6% Above the Preceding Week

Loadings of revenue freight for the week ended July 11, 1953, increased 51,222 cars, or 7.6% above the preceding week due to the coal miners' annual vacation being in effect only one day that week compared with the entire previous week, according to the Association of American Railroads.

Loadings totaled 721,454 cars, an increase of 26% above the corresponding 1952 week when loadings were affected by the steel industry strike but a decrease of 57,854 cars or 7.4% below the corresponding 1951 week.

Electric Output Advances 14.3% Above Like Week a Year Ago

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 18, 1953, was estimated at 8,209,203,000 kwh., according to the Edison Electric Institute.

This represented an increase of 113,054,000 kwh. above the previous week.

The current total was a gain of 1,028,875,000 kwh. or 14.3% over the comparable 1952 week and an increase of 1,234,629,000 kwh. over the like week of 1951.

U. S. Auto Output Moves 4% Ahead of Previous Week

Automotive output last week advanced 4% above the previous week, states "Ward's Automotive Reports."

Overtime work at 14 of the 16 Ford plants, continued high output by General Motors and sharp gains by Packard and Studebaker accounted for the advance.

The industry turned out 139,249 new cars last week, compared with 133,187 in the previous week. A year ago, because of the steel strike, the weekly production was only 23,021 cars.

United States truck production rose 10% last week to 25,497, compared with 23,093 the previous week. A year ago the steel strike cut truck output to only 3,763 units.

Canadian companies made 9,168 cars last week, compared with 8,925 in the previous week and 4,698 cars in the like 1952 week. Truck production amounted to 2,586 units last week, against 2,355 the week before and 995 in the year earlier period.

Business Failures Show Modest Increase

Commercial and industrial failures rose slightly to 148 in the week ended July 16 from 139 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties exceeded the 103 and 133 in the comparable weeks of 1952 and 1951, they remained 41% below the prewar level of 251 in 1939.

Failures involving liabilities of $5,000 or more dipped to 94 from 110 last week but were more numerous than a year ago when 81 concerns succumbed in this size group. The week's increase centered in small casualties with liabilities under $5,000. They climber to 54 from 29 in the previous week and 22 in the similar week of 1952.

Wholesale Food Price Index Touches 21-Month High Point in Latest Week

Continuing the sharp upward movement of last week, the Dun & Bradstreet wholesale food price index rose from $6.62 last week, to $6.74 on July 14. This brought the current figure to the highest point since Oct. 16, 1951, when it stood at $6.77, and marked an increase of 13.1% over the pre-Korea level of $5.96. At this time a year ago the index was $6.61.

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 Level Continues Upward Trend

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., scored a further moderate gain last week, reflecting higher prices for certain foods, livestock, steel scrap and pig iron. The index closed at 281.66 on July 14, comparing with 278.33 a week previous, and with 290.09 a year ago.

Grains were irregular with late weakness erasing most of the gains made early in the week. Early strength in wheat was influenced by unexpectedly light receipts in cash markets, but heavier receipts and an increase in July 1 government crop estimates caused weakness in late dealings.

The report indicated a possible yield of 1,174,708,000 bushels for all wheat. This was slightly above the June 1 estimate and compared with 1,291,447,000 bushels last year.

Corn showed strength early but declined in sympathy with wheat and the government's estimate of 3,336,551,000 bushels, which was larger than the trade had expected. The oats crop was placed at 1,318,820,000 bushels, or about 50,000,000 bushels more than last year. Sales of all grain and soybean futures on the Chicago Board of Trade declined to a daily average of 49,700,000 bushels last week, from 59,800,000 the week before, and compared with 37,800,000 in the same week last year.

Buying of hard wheat bakery flours continued in a very cautious manner, reflecting an easier trend in wheat late in the week.

A moderate volume was booked early in the period as a result of low balances held by bakers and mill protection against advances in Spring types.

Export trade in flour continued slow. With offerings light and spot supplies tight, cocoa values advanced to new highs for the current movement. New crop Accra cocoa was not expected to move in volume until early fall. Warehouse stocks of cocoa rose to 177,822 bags, from 169,162 a week ago, and compared with 123,-313 bags last year.

A further sharp rise in coffee prices reflected continuing reports of frost damage to the crop in Brazil.

Raw sugar was mostly steady in rather quiet trading. Demand for refined was unseasonably slow. Livestock at Chicago moved generally higher. Steers advanced sharply in the week, while hogs sold at new high prices since October, 1948.

Cotton displayed a firm undertone most of the week largely reflecting unfavorable growing conditions and the official estimate of 24,618,000 acres under cultivation at the start of July which was well below the average of private forecasters. Some easiness appeared at the close on reports of beneficial rains in central and western portions of the belt. Sales of the staple in the 10 spot markets totalled 44,500,000 last week, down from 47,-100,000 a week earlier, but well above the 24,100 in the same week a year ago. Net stocks in the loan on July 3 were reported at 1,860,000 bales, against 357,400 a year ago.

Trade Volume Held to a Steady Pace the Past Week

While many merchants reported rises in shopping in the period ended on Wednesday of last week, others noted declines. Although there was little variation in the total dollar volume of retail trade during the week, it continued to be moderately higher than the level of a year ago.

Clearance sales and relaxed credit terms helped many merchants to top the sales figures of a year before.

Most goods were in bountiful supply although there were scattered shortages of air conditioners and lightweight apparel.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc, to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the corresponding 1952 levels by the following percentages: New England and Midwest 0 to +4; East and Southeast +1 to +5; South and Northwest +2 to +6 and Pacific Coast +3 to +7.

Most household goods were less popular than in recent weeks. Nevertheless, most stores sold slightly more than a year ago.

Cooling devices, hardware, portable radios and decorating materials remained in wide demand.

The buying of large appliances, television sets and furniture continued to be lethargic.

Trading activity in most wholesale markets recovered from the slow pace of recent weeks as many buyers went ahead with preparations for the coming season. The total dollar volume of wholesale trade in the period ended on Wednesday of last week remained slightly higher than the year-ago level. Although inventories were larger than a year before, there was little apprehension among most buyers.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended July 11, 1953, rose 11% from the level of the preceding week. In the previous week no change was reported from that of the similar week of 1952. For the four weeks ended July 11, 1953, an increase of 7% was recorded. For the period Jan. 1 to July 11, 1953, department stores' sales registered an increase of 5% above 1952.

Retail trade in New York City the past week was in the main sluggish, and according to trade observers, declined an estimated 6 to 8% below the like week in 1952. Soft lines were particularly slow the past week.

According to the Federal Reserve Board's Index department store sales in New York City for the weekly period ended July 11, 1953, registered an increase of 5% from the like period of last year. In the preceding week an increase of *12% was reported from that of the similar week of 1952, while for the four weeks ended July 11, 1953, an increase of 9% was reported. For the period Jan. 1 to July 11, 1953, no change was registered from that of 1952.

*In using year-ago comparisons allowance should be made for the fact that stores in some cities were closed on Saturday, July 5 as well as Friday, July 4 last year, and therefore the week this year had one more trading day.

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Mutual Funds

that the present situation provides ample reason for a careful approach to investment problems by investors in coming months.

SELECTED AMERICAN Shares, Inc., reports assets at June 30, 1953, of $25,383,602 or $12.84 a share, compared with $26,548,047 or $13.99 a share on Dec. 31, 1952 and $23,941,893 or $13.96 a share at June 30, 1952. In the 12-month period a capital gain distribution of 64% a share was made. Dividends from investment income in the first six months totaled 24 cents a share, the same as in the same period of 1951 and 1952.

At mid-year common stocks represented 93.8% of assets, corporate bonds 0.8%, U. S. Governments and cash 5.4%. The company had investments in securities of 109 companies. Largest holdings by industry were oil 11.3% of assets, electric utility 9.3%, electrical equipment and TV 9.1%, retail trade 6.9%, aviation and railroad 6.2% each, chemical and drug 5%. Industries in which the percentage change exceeded 1% since the year-end were: Increases — building 2.4%, food 1.7%, office equipment 1.5%, gas and gas utility 1.4%, auto equipment 1.1%. Decreases — chemical and drug 3.6%, automobile 1.8%.

NATURAL RESOURCES FUND, Inc. for the six months ended May 31 reported yesterday net assets of $3,840,074 or $4.25 a share compared with $4,089,005 or $4.63 a share in the first six months of the 1952 fiscal year. The number of individual shareholders totaled 2,925 compared with 2,811 a year ago. Shares outstanding amounted to 904,495 against 883,761.

In his remarks to shareholders, Frank L. Valenta, President, said: "The decline in security prices in the opinion of many analysts has more then discounted any readjustments in the economy which can be foreseen at the present time. In relation to earning power and dividends, stock prices have reached a point where they are closer to depression levels than they are to bull market peaks. This is especially true of many natural resource securities.

"Your management has selected the securities in its portfolio on the basis of their long-term prospects and continues to hold them through this stock market readjustment, believing their sound fundamental positions will eventually be reflected in substantially higher market prices. In the meantime they provide an attractive dividend return.

"Securities of companies owning their own natural resources, we believe, are in a particularly strong position to weather whatever readjustments may lie ahead. New uses are being found for the various metals, petroleum, natural gas and other natural resources."

PERSONAL PROGRESS

RANDOLPH SCOTT, formerly Manager of the mutual funds department of Hayden, Stone and Company, in New York, has announced the formation of his own firm, Randolph Scott & Company, Inc., at 115 Broadway, New York City.

The company, which will specialize in comprehensive services for pension and profit-sharing plans, is an associate member of the Council of Profit-Sharing Industries.

Associates of the new firm are James Dahl Associates in labor relations and plan installations, Morss and Seal as consultants and

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 26	§96.8	*94.7	96.8	15.3
Equivalent to—					
Steel ingots and castings (net tons)	July 26	§2,183,000	*2,134,000	2,183,000	317,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 11	6,483,300	6,451,100	6,477,450	6,075,050
Crude runs to stills—daily average (bbls.)	July 11	¶7,267,000	7,053,000	7,026,000	7,013,000
Gasoline output (bbls.)	July 11	25,002,000	24,044,000	24,210,000	23,251,000
Kerosene output (bbls.)	July 11	2,547,000	2,337,000	2,465,000	2,417,000
Distillate fuel oil output (bbls.)	July 11	10,237,000	10,457,000	9,986,000	10,184,000
Residual fuel oil output (bbls.)	July 11	8,965,000	8,860,000	8,605,000	8,943,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 11	144,053,000	144,497,000	150,757,000	118,332,000
Kerosene (bbls.) at	July 11	28,869,000	27,874,000	25,442,000	24,306,000
Distillate fuel oil (bbls.) at	July 11	90,253,000	86,274,000	79,579,000	72,515,000
Residual fuel oil (bbls.) at	July 11	47,154,000	44,738,000	43,595,000	48,395,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 11	721,454	670,232	797,425	572,362
Revenue freight received from connections (no. of cars)	July 11	562,345	618,254	655,257	461,762
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 16	$264,210,000	$191,626,000	$249,728,000	$295,779,000
Private construction	July 16	143,808,000	59,523,000	103,722,000	114,166,000
Public construction	July 16	115,402,000	132,103,000	146,006,000	181,613,000
State and municipal	July 16	81,009,000	86,732,000	112,336,000	88,405,000
Federal	July 16	34,393,000	45,371,000	33,670,000	93,208,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 11	6,850,000	*1,630,000	9,350,000	5,177,000
Pennsylvania anthracite (tons)	July 11	590,000	84,000	677,000	521,000
Beehive coke (tons)	July 11	91,500	*54,100	126,200	9,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 11	92	*79	112	83
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 18	8,209,203	8,096,149	8,329,297	7,180,328
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 16	148	139	167	103
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 14	4.634c	4.634c	4.417c	4.131c
Pig iron (per gross ton)	July 14	$56.76	$56.76	$55.26	$52.77
Scrap steel (per gross ton)	July 14	$44.83	$43.83	$40.50	$39.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 15	29.700c	29.700c	29.675c	24.200c
Export refinery at	July 15	29.550c	29.650c	29.725c	34.900c
Straits tin (New York) at	July 15	80.500c	83.000c	93.000c	121.500c
Lead (New York) at	July 15	13.500c	13.500c	13.500c	16.000c
Lead (St. Louis) at	July 15	13.300c	13.300c	13.300c	15.800c
Zinc (East St. Louis) at	July 15	11.000c	11.000c	11.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 21	93.64	93.34	92.00	98.68
Average corporate	July 21	103.64	103.47	101.97	109.79
Aaa	July 21	108.34	108.16	105.34	113.59
Aa	July 21	105.69	105.69	103.80	112.19
A	July 21	102.63	102.13	100.98	109.42
Baa	July 21	98.25	98.09	97.78	104.14
Railroad Group	July 21	101.80	101.31	99.84	106.92
Public Utilities Group	July 21	103.47	103.47	101.80	109.42
Industrials Group	July 21	105.69	105.52	104.14	113.31
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 21	2.96	2.99	3.09	2.59
Average corporate	July 21	3.53	3.54	3.63	3.18
Aaa	July 21	3.26	3.27	3.43	2.96
Aa	July 21	3.41	3.41	3.52	3.05
A	July 21	3.59	3.62	3.69	3.20
Baa	July 21	3.86	3.87	3.89	3.50
Railroad Group	July 21	3.64	3.67	3.76	3.34
Public Utilities Group	July 21	3.54	3.54	3.64	3.20
Industrials Group	July 21	3.41	3.42	3.50	2.99
MOODY'S COMMODITY INDEX	July 21	426.6	425.3	416.6	438.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 11	175,234	338,713	217,725	161,404
Production (tons)	July 11	141,246	227,070	254,689	120,463
Percentage of activity	July 11	54	86	98	51
Unfilled orders (tons) at end of period	July 11	596,538	566,985	560,897	452,504
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 17	106.05	*106.18	106.11	110.07
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	July 4	20,882	19,837	27,636	23,232
Number of shares	July 4	553,322	558,766	752,560	664,551
Dollar value	July 4	$25,060,128	$25,089,008	$34,213,688	$30,532,031
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 4	16,506	17,186	21,331	19,819
Customers' short sales	July 4	132	108	174	62
Customers' other sales	July 4	16,374	17,078	21,157	19,757
Number of shares—Total sales	July 4	450,843	476,211	602,085	557,787
Customers' short sales	July 4	6,672	4,071	7,438	1,914
Customers' other sales	July 4	444,171	472,140	594,647	555,873
Dollar value	July 4	$17,703,452	$18,921,947	$23,895,877	$23,634,075
Round-lot sales by dealers—					
Number of shares—Total sales	July 4	122,150	139,080	184,090	153,100
Short sales	July 4				
Other sales	July 4	122,150	139,080	184,090	153,100
Round-lot purchases by dealers—					
Number of shares	July 4	217,850	241,760	315,800	241,400
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	June 27	213,480	279,380	217,520	175,460
Other sales	June 27	5,162,870	5,593,240	6,325,350	6,716,250
Total sales	June 27	5,376,350	5,872,620	6,542,870	6,891,710
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 27	594,520	643,110	622,140	605,080
Short sales	June 27	93,730	111,000	96,610	109,480
Other sales	June 27	481,070	507,900	562,520	494,550
Total sales	June 27	574,800	618,900	659,130	604,030
Other transactions initiated on the floor—					
Total purchases	June 27	17',070	149,250	137,840	146,100
Short sales	June 27	9,300	18,000	10,900	2,600
Other sales	June 27	157,230	122,740	206,310	191,120
Total sales	June 27	166,530	140,740	217,210	193,720
Other transactions initiated off the floor—					
Total purchases	June 27	238,888	219,140	196,569	258,920
Short sales	June 27	54,350	67,820	41,040	28,430
Other sales	June 27	315,572	282,895	275,320	287,620
Total sales	June 27	369,922	350,715	316,370	316,250
Total round-lot transactions for account of members—					
Total purchases	June 27	1,010,478	1,011,500	956,540	1,010,100
Short sales	June 27	157,380	196,820	148,550	140,510
Other sales	June 27	953,872	913,535	1,044,160	973,430
Total sales	June 27	1,111,252	1,110,355	1,192,710	1,114,000
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 14	110.4	*109.8	109.3	111.1
Farm products	July 14	97.4	*95.1	95.5	109.4
Processed foods	July 14	104.5	*102.8	103.2	109.2
Meats	July 14	95.9	*89.8	91.8	113.7
All commodities other than farm and foods	July 14	114.5	*114.4	113.5	111.9

*Revised figure. ¶Includes 672,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$214,382,000	$198,454,000	$194,904,000
Exports	111,679,000	110,769,000	125,878,000
Domestic shipments	11,291,000	10,940,000	7,121,000
Domestic warehouse credits	21,177,000	27,912,000	7,406,000
Dollar exchange	35,000,000	37,400,000	44,714,000
Based on goods stored and shipped between foreign countries	34,684,000	31,588,000	35,930,000
Total	$428,213,000	$417,063,000	$415,953,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of June (in millions):			
Total new construction	$3,184	$2,921	$2,936
Private construction	2,131	1,968	1,927
Residential building (nonfarm)	1,090	987	993
New dwelling units	960	860	875
Additions and alterations	107	105	103
Nonhousekeeping	23	22	15
Nonresidential building (nonfarm)	481	451	405
Industrial	188	192	183
Commercial	152	129	93
Warehouses, office and loft buildings	55	52	38
Stores, restaurants, and garages	97	77	55
Other nonresidential building	141	130	129
Religious	38	35	31
Educational	34	32	28
Social and recreational	14	13	10
Hospital and institutional	26	26	35
Miscellaneous	29	24	25
Farm construction	148	138	162
Public utilities	399	380	359
Railroad	41	40	40
Telephone and telegraph	52	52	50
Other public utilities	306	288	269
All other private	13	12	8
Public construction	1,053	953	1,009
Residential building	50	49	53
Nonresidential building	377	371	357
Industrial	162	160	149
Educational	141	139	137
Hospital and institutional	34	34	42
Other nonresidential building	40	38	29
Military and naval facilities	123	117	125
Highways	335	260	313
Sewer and water	63	61	62
Miscellaneous public service enterprises	17	15	17
Conservation and development	79	72	76
All other public	9	8	6
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of June (000's omitted)	$1,250,000	$222,000	$1,178,100
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30 (000's omitted)	$408,000	$441,000	$495,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of July 1 (in thousands):			
Corn, all (bushels)	3,336,501		3,306,735
Wheat, all (bushels)	1,174,708	132,500	1,291,447
Winter (bushels)	821,372	769,884	1,052,801
All spring (bushels)	353,336	362,616	238,646
Durum (bushels)	28,701		21,363
Other spring (bushels)	324,635		217,283
Oats (bushels)	1,318,820		1,268,280
Barley (bushels)	246,728		227,008
Rye (bushels)	17,422	17,087	15,910
Flaxseed (bushels)	39,955		31,002
Rice (100-lb. bags)	48,439		48,660
Hay, all (tons)	105,274		104,424
Hay, wild (tons)	12,378		10,935
Hay, alfalfa (tons)	42,937		42,438
Hay, clover and timothy (tons)	30,058		31,755
Hay, lespedeza (tons)	5,981		5,147
Beans, dry edible (100-lb. bags)	17,140		16,777
Peas, dry field (100-lb. bags)	3,430		2,610
Potatoes (bushels)	376,773		347,504
Sweetpotatoes (bushels)	32,697		28,292
Tobacco (pounds)	2,125,427		2,254,855
Sugarcane for sugar and seed (tons)	7,223		7,599
Sugar beets (tons)	10,925		10,169
Hops (pounds)	42,080		61,263
Apples, commercial crop (bushels)	102,320		92,489
Peaches (bushels)	63,559	63,033	62,560
Pears (bushels)	30,910	32,301	30,947
Grapes (tons)	2,755		3,173
Cherries (12 States) (tons)	225	248	218
Apricots (3 States) (tons)	206	195	177
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrial (125)	5.60	5.53	5.48
Railroad (25)	6.26	6.15	5.64
Utilities (not includ. Amer. Tel. & Tel.) (24)	5.58	5.34	5.51
Banks (15)	4.75	4.72	4.56
Insurance (10)	3.50	3.41	3.18
Average (200)	5.58	5.51	5.45
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of June	£18,205,000	£8,263,000	£16,590,000
U. S. GOVT. STATUTORY DEBT LIMITATION—As of June 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	266,071,061	266,519,913	259,105,178
Guaranteed obligations not owned by the Treasury	52,072	52,310	45,565
Total gross public debt and guaranteed obligations	$266,123,134	$266,572,224	$259,150,744
Deduct—other outstanding public debt obligations not subject to debt limitation	601,398	603,064	644,145
Grand total outstanding	$265,521,736	$265,969,159	$258,506,598
Balance face amount of obligations, issuable under above authority	9,478,263	9,030,840	16,493,401
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$266,123,134	$266,572,224	$259,150,744
General fund balance	4,670,248	3,638,668	6,968,827
Net debt	$261,452,886	$262,933,556	$252,181,917
Computed annual rate	2.438%	2.401%	2.329%

Continued from first page

Comments on "An Inside View of the United Nations"

tution. Indeed, I once saw an article very much like Mr. Robertson's that was written around the time of the Constitutional Convention to counter some of Hamilton's, Madison's and Jefferson's arguments in the Federalist Papers. The argument was that none of these communities outside of, I think it was, Massachusetts were worth a damn. Their finances were in disorder and their citizens in large part were upstart immigrants incapable of judicious administration and certainly unworthy of partnership. It is probably not a good analogy, but I am always skeptical about an argument whose base is that all mankind with the possible exception of those represented in the United States are sinister or incompetent.

The United Nations is due for a revision and there are a number of bodies that are working on the problem of revision now. Perhaps this will lead us along the very long and rocky path of human progress, one of the elements of which in my judgment is some community of the nations.

L. L. MATTHEWS
President, American Trust Co., South Bend, Ind.

I have read the United Nations article by Mr. William A. Robertson with a great deal of interest, and am in general accord with his views.


L. L. Matthews

Inasmuch as all of us in America would like to see the plan work, I am afraid that in this era of greed and selfishness among nations and individuals—it is a lost cause. The League of Nations was a similar agency and we can recall that it scarcely reached the organization stage before it was abandoned.

THOMAS I. PARKINSON
Chairman of the Board, The Equitable Life Assurance Society of the U. S., N. Y. City

I found Mr. Robertson's article very informative in its summary of conditions within the nations represented on the Council. It was largely as I should have expected, and confirms my impression that the UN is not effective as an agency of action. However, I have always thought of it as an important forum in which representatives of the principal nations can discuss and perhaps dispose of problems, which without such a forum and its opportunity for discussion, might result in serious international crises. While I do not expect the UN to bring "peace on earth," I still think it may do a useful service in avoiding serious quarrels.


T. I. Parkinson

Mr. Robertson's presentation of conditions within the nations represented on the Council certainly makes it look as if those nations had problems of their own, the solution of which must necessarily interfere with their contributing effectively to the solution of problems growing out of international relations.

JOHN L. DICKINSON
Charleston, W. Va.

I enjoyed reading Mr. Robertson's report on the UN, and think his vews on this subject are excellent.

B. G. HUNTINGTON
Chairman, The Huntington National Bank of Columbus, Columbus, Ohio

The kind of destructive criticism contained in the article by Mr. Robertson seems to me to do little good, but that it has possibilities of dong great harm.


B. G. Huntington

Perhaps the organization called the United Nations, and the Security Council, have been disappointing to many people, but it does represent an effort for concerted action where there was none before. To deprecate and to throw mud at the other members does nothing to advance the effort, and may be very harmful, not to the United Nations, but to the United States.

How about suggestions that would be helpful and constructive?

DAN W. HOGAN
President, City National Bank and Trust Company, Oklahoma City, Okla.

I consider Mr. Robertson's article the ablest, condensed presentation of the subject that I have ever read or heard from any source. I commend and congratulate you for giving this article wide circulation through the "Commercial & Financial Chronicle."


Dan W. Hogan, Sr.

The United Nations, our second failure, in our attempt to **police the world,** should be sufficient to satisfy the people of the U. S. that it is high time to quit such foolishness and throw all our energies into cleaning up the mess we have made at home and abroad during the past 20 years.

We, in the Southwest, look to New York City, the capital of the world, for leadership. At home, Oklahoma City assumes the leadership of our state.

You may have noticed that the Democrats not "New Dealers" turned in their electoral votes for Eisenhower, but we want the change we voted for. Robertson's caustic brief should be made the fuse that would blow up the communistic inferno of the United Nations and start us on the road to recapture our standing as a solvent nation.

We can well take our cue from Canada, and we should extend a helping hand to Mexico. In North America there is power!

You have started something; go on with it! Wake up those internationalist minded business men in New York; balance the budget; get rid of the pinks in government and public life; cut foreign aid drastically, and use this and other funds to reduce the national debt.

Power to you!

JOHN P. GATY
Vice-President-General Manager, Beech Aircraft Corporation, Wichita, Kan.

The article by William A. Robertson concerning the UN is a very logical approach to the problem and indicates that eventually the UN will pass along with the memory of the Court of International Justice, etc., etc. No debating society ever operated anything successfully.


John P. Gaty

OWEN D. YOUNG
Van Hornesville, N. Y.

One cannot read William A. Robertson's article on "An Inside View of the United Nations" without being impressed with the care with which it was prepared and the brevity and clarity of its statement. If its effect is to stimulate the search for a wiser alternative to the present setup, it will be helpful. If its effect is to create the impression that the work of the United Nations is hopeless and thereby to weaken our support of it, it will be harmful.


Owen D. Young

After all, every generation has to work with the tools at hand. This is as true in politics as it is in mechanics and research. Often, if not indeed always, an objective analysis would have shown them unpromising. However, the will to do something that needs to be done and the faith that it can be done accounts for our great advances in governmental machinery and material production. Everybody learns by doing something. Perhaps that will include all the nations now or hereafter represented on the Security Council.

Something over 30 years ago on my first visit to the Philippines, I was greatly impressed with the economy and efficiency which the United States was showing in developing the governmental and economic machinery of the Islands. That stimulated me to take a superficial look at what the British had done for their colonies. I came to the conclusion that both were doing better jobs for others than they were doing at home. I remember making a little speech to something like the Chamber of Commerce in Manila reciting the facts and saying that perhaps the world would be better off if everybody governed somebody else instead of themselves. I mention this only because I do not think that it necessarily follows that these countries which have failed in meeting desirable standards at home are incompetent advisors to others as to what to do and, especially, as to what to avoid.

In any event, we have the United Nations, we have no acceptable alternative, we have the will to help, so let us continue in the faith which our revolutionary ancestors so firmly exhibited. They, too, worked with the tools at hand.

R. R. CALKINS
President, American Nat'l Bank, St. Joseph, Mo.

I have read the article, which is very interesting, and it would seem that we do not have too many desirable partners in the UN Council.

Some of our partners probably do not have a 100% favorable opinion of us, but I hope that everything may work out at least fairly well.

HONORABLE
WM. JENNINGS BRYAN DORN
U. S. Congressman from So. Caro.

I think the article by William A. Robertson is excellent and points out very vividly the difficulties of the United Nations.


Hon. W. J. B. Dorn

I think it is a fallacy to think we can buy friendship and love with money. That has been the policy of America. I think it is doomed to fail.

BERKELEY WILLIAMS
Richmond, Va.

Mr. Robertson's two briefs "The United Nations—Why It Is Doomed to Fail" (Chronicle June 19, 1952) and recently his supplemental "An Inside View of the United Nations" (July 2, 1953) are not only vastly important at this time but so comprehensive, complete and solidly grounded on reason and history as to be unassailable.


Berkeley Williams

Never have I heard any world saver undertake to deny as much as one of his charges or statements.

Former Congressman Wood of Idaho contrasted the Great Founding Fathers of this Republic with those of the UN and asked "Who were the so-called people of the UN"? They were Alger Hiss, the convicted felon; Harry Dexter White, the deflated suicide; Lee Pasvolsky, the Russian born man of mystery; Harry Hopkins, the crawling sycophant; Stalin, Molotov and Vishinsky and a coterie of nobodies whom posterity will probably class with Benedict Arnold." To which can be added the disgraceful fact that under the auspices of such people the UN was created without the slightest recognition to the Creator of the World or Savior of Mankind. Inevitably it was destined to fail and go down in history among "Extraordinary Popular Delusions." The American Public has been deluded and cannot be informed too often with facts.

Mr. Robertson calls repeated attention to UN delusions. Americans cling to their illusions more persistently than other people, but let us be of good cheer. "Time's Glory is to unmask falsehood and bring truth to light."

The time to either reorganize the United Nations or for the U. S. to get out of it or tell it to get out of the U. S. is overdue.

There stands Switzerland. Free of entangling alliances, minding strictly her own affairs, the most striking success story in the world today.

"Headlines," Jan. 24, 1953 printed following:

"**(a) What the UN Has Not Done:**

"(1) It has not preserved peace (vide: Korean War).

"(2) It has not found a way for the Communist and the non-Communist worlds to live together (witness the cold war).

"(3) It has not ended aggression (vide: North Korea, India in Kashmir and Israel in the Negev).

"(4) It has not brought about world reduction of armaments.

"(5) It has not outlawed the atomic bomb.

"(6) It has not removed the barriers to the free flow of international trade.

"(7) It has failed to bring about a peace settlement in Germany, or to end the unjustifiable 'zone' division of the country.

"(8) It has not secured a peace settlement in Japan acceptable to all (Russia and India have refused to sign the Japan Peace Treaty).

"(9) It has not diminished the areas of the world ruled by totalitarianism: it has presided over their vast expansion. In 1945, only 200 millions of the earth's population lived under Communist totalitarianism. Today, after seven years of UN, over 800 millions are under Communist rule.

"**(b) What the UN Has Done:**

"(1) It has intensified and sharpened the rivalry between the Communist and the non-Communist World.

"(2) It has given Communist Russia a powerful sounding board from which to attack and spread dissension in the Free World.

"(3) It has weakened the position of the United States vis a vis Russia by subordinating American defense measures and strategy to the capricious policies of the 59 fellow members of the UN.

"(4) The security which it offers to the Free World is so inadequate that it has forced 14 of the member nations to band themselves into a protective alliance outside the UN—the NATO—and to organize an international army pointed at Russia.

"(5) It has placed the economy of the U. S. in serious jeopardy by imposing upon America defense and economic obligations throughout the world that are beyond American strength to sustain much longer.

"(6) It has increased instability throughout the world by its continuous preaching of race equality and anti-colonialism, thus arousing the spirit of unrest and insurgency in Africa, Asia and other backward parts of the world.

"(7) It has involved the United States in one war (Korea) which the U. S. would not have initiated had it not been for its UN commitments. With the Korean war uncompleted, America is faced with the possible necessity of taking similar actions against aggression in Indo-China, Iran and at other danger points.

"(8) It has set up at the expense of friendly peoples two new nations—Israel and Indonesia — both of which voted against the United States on crucial issues during the Korean controversies.

"(9) It has spent almost $1,000,000,000 on unread publications, useless research, talkathon conferences, globe-trotting junkets by UN functionaries, and the maintenance of scores of highly budgeted commissions and projects, some of them silly and most of them valueless.

"(10) It has given jobs at salaries far higher than they could earn in outside employment to 9,790 misfits, busybodies, do - gooders, 'Pink' liberals, Red internationalists, Marxist Socials, Stalinist Communists, and Soviet spies."

C. H. GREENEWALT
President, E. I. du Pont de Nemours & Company Incorporated, Wilmington, Del.

I am somewhat at a loss to comment on Mr. Robertson's article since I have made no deep or detailed study of the UN, nor have I given much thought to workable alternatives. I might say, however, that it is frequently much easier to "view with alarm" than it is to present a workable remedy, and I am wondering just what Mr. Robertson would have us do. Certainly, there are many countries represented on the Security Council about whose stability one would have question, but it seems to me that if a process of selection is to be followed which is based upon some standard of long-term stability of the nations involved, we might well find ourselves without a United Nations at all. This, of course, may be what Mr. Robertson is driving at, and if so, he may be right. Frankly, I don't know enough about the situation to even venture an opinion.


C. H. Greenewalt

W. C. Mac FARLANE
President, Minneapolis-Moline Co. Minneapolis 1, Minn.

After reading the informative article by William A. Robertson pertaining to the UN, I am tremendously impressed with his analysis of the situation, and my own views are in substantial accord with his conclusions.

After several postwar trips to Europe where I have come in contact not only with industrialists and bankers but the average man on the street, I have the definite opinion that almost without exception they love our money and hate our viscera. Their general attitude seems to be that if a conflagration should come to Europe, it is something for Uncle Sam to worry about, and not them. They have been living too close to it for years. They expect us to furnish the money and the men if it comes to a shooting war and therefore let us do the worrying.


W. C. Mac Farlane

For years prior to the war there was only one of the 19 countries in South America where the United States was the most favored nation, and I doubt whether things have changed since the last war.

And, as far as these countries are concerned, most of them cannot manage their own affairs, so how can they contribute anything of particular value to the Security Council? — the rotating countries have six of the 11 seats, which is a majority. Also, as far as the five permanent seats are concerned, as Mr. Robertson has summed it up, "Do any of the Big Five trust their associates very far out of sight?"

Of the countries remaining to be rotated, there is only one; namely, Canada, our good neighbor to the North, whose experience with their own affairs has been such that I would value their counsel in a discussion of world affairs.

When South Korea can throw up a road block against the UN when consummating an armistice, I wonder what some of our big five associates could do if their own selfish interests should be threatened. I have always believed that one cannot buy friendship with money alone; also that "he who pays the fiddler should call the tunes." We have been paying the fiddlers all over the world but have hardly been able to call even one small chorus.

Any more money which we deal out to other nations from here on should be spent substantially in a manner which we direct and for our own best selfish interests.

M. D. THATCHER
Chairman of the Board, The First National Bank, Pueblo, Colo.

Mr. Robertson's analysis of the principal member countries of the Security Council is certainly not very reassuring; although, I think rather accurate, and his conclusion that we can expect very little from the Council realistic.

R. J. KOCH
President, Felt & Tarrant Mfg. Co. Chicago, Ill.


R. J. Koch

Mr. Robertson's concluding biblical quotation completely sums up the story of the UN.

It is too bad that every person capable of thinking won't have the opportunity of reading this article.

HOWARD P. PARSHALL
President, Bank of the Commonwealth, Detroit, Mich.

I have read with deep interest the article, written by William A. Robertson, entitled "An Inside View of the United Nations." While in a general way I realize that the nations with whom we were associated in the United Nations had entirely different concepts than we have in this country, I did not fully realize the wide variance of objectives. They all shout *democracy;* but few of their leaders apparently want it.


H. P. Parshall

When we first formed the United Nations in San Francisco, I was very skeptical of its success. I am much more skeptical at the present time. The United Nations has tried to fight a war in Korea. We see all about us the sorry results.

In my humble opinion, we should be good neighbors with the other nations of the world; but this idea of a one world government, or of a group of nations having similar aims and working together for common objectives, just appears to me to be a long, long way off.

HON. SIGURD ANDERSON
Governor of the State of So. Dak.

I find Mr. Robertson's article very interesting and informative and there is a lot of truth in what he says. It does seem illogical to establish world stability and tranquility with nations on the Council who have little stability of government and tranquility in their national lives.


Gov. S. Anderson

The UN seems to be slipping somewhat. The UN apparently has some structural weakness which may be difficult to correct. We must hope and pray for a stronger UN organization as it furnishes one of our best hopes for peace. Let us hope for a better day and a peaceful world.

RAWLEIGH WARNER
Chairman of the Board, The Pure Oil Co., Chicago, Ill.


Rawleigh Warner

Certainly the article by Mr. Robertson is well documented and one finds it difficult not to agree with his general conclusion.

L. E. LEVERONE
President, Nationwide Food Service, Inc., Chicago, Ill.

There is nothing that I can say any more than will be more emphatic than to tell you that I am for what William A. Robertson has written 100%. To date the UN has been an absolute flop. It has cost us billions of dollars, encouraged laziness and dependency in others, all over the world, has made us, from the most loved country in the world, to the most hated. It is rather late, but the greatest act that could be accomplished in Washington today would be not only the complete abandonment of the UN but the expulsion of all those foreign members, staffs, etc., from the United States.


L. E. Leverone

I still believe that one of the greatest things that we can do is to mind our own business, help others when needed, and not force continuous handouts over the entire earth, making a bunch of drones and by so doing, helping materially in the downfall of England, France, Italy and other nations.

I am not overly optimistic, but do hope that Mr. Robertson's article may accomplish something in this connection.

R. H. SMITH
President, Norfolk and Western Railway Co., Roanoke, Va.

Mr. Robertson paints a disturbingly gloomy, pessimistic picture of the members of the Security Council of the UN. But I am wondering if Mr. Robertson is entirely realistic in his view. At the start he describes the members of the Security Council as "governors of the world."


R. H. Smith

I was under the impression that the Security Council was not a body to govern the world, but rather a forum in which international problems could be debated so that all sides of the problems between nations could be brought to light with the hope that such a full discussion might bring about a better understanding of the problems and enable the nations or governments themselves to work out better solutions between them.

And I suspect that some of these nations, reading what we say about ourselves in campaign speeches, may get the impression that we are not very stable either.

JOHN H. SIECKMANN
Chairman of the Board, Mercantile Trust & Savings Bank, Quincy, Ill.


J. H. Sieckmann

William A. Robertson's article is outstanding as an informative piece of work and clarifies the reason for a dormant but simmering frustration that has beset public thinking on the subject of the ultimate effectiveness of the UN.

HARRISON L. AMBER
President, Berkshire Life Insurance Company, Inc., Pittsfield, Mass.

The article by William A. Robertson pertaining to the UN makes one stop and wonder whether we are accomplishing through the UN anything that is permanent or based upon judgment or good faith. It is often said that agreement, whether written or oral, is no better than the men who make it.


H. L. Amber

Many people are willing to accuse you of being an isolationist if you disagree with the practices and principles of the UN. Personally I have never felt that it could be made to work or that it would accomplish anything like what it was supposed to accomplish when it was set up. Nothing has happened yet to prove that it does now, or ever will, or ever has accomplished very much. It is too bad that we cannot through some organization bring peace to the world and keep peace for all mankind, but that seems to be against human nature.

G. T. BAKER
President, National Airlines, Miami, Fla.

I have read with great interest the article by William A. Robertson pertaining to the UN.

Mr. Roberston's conclusion are not reassuring; but I must agree with them, even though reluctantly. Personally I would like to see the UN work, but I don't believe it ever will. It seems a little ridiculous to believe that the representatives of countries which are not capable of governing themselves should attempt to govern the world by virtue of their holding seats in the Security Council of the UN.


G. T. Baker

I personally am an advocate of the presently unpopular theory of semi-isolationism.

MERWIN K. HART
President, National Economic Council, Inc., N. Y. City

It seems to me Mr. Robertson has made a very definite contribution for the consideration of the American people of the United Nations.


Merwin K. Hart

To my mind we will never be free to pursue a foreign policy that is in the genuine interest of the United States until we get out of the United Nations. To suppose that the United Nations can fulfill its announced objectives is to me to be sophomoric. When will we become of age?

JOHN A. SCHOONOVER
President, The Idaho First Natl Bank, Boise, Idaho

An "Inside View of the United Nations" is an exceptionally fine article and sets out Mr. Robertson's position in a very logical manner. It serves to point out the fact that the American people are highly susceptible to any kind of propaganda, and it reminds us again that a government by simply labeling itself a democracy does not in that act become one. I have felt for some years that the United Nations was doomed to failure, and I personally feel that the quicker we wind the thing up and look forward to a more workable device, the better it will be for all.


John A. Schoonover

ALLAN FORBES
Chairman of the Board, State Street Trust Company, Boston, Mass.

Mr. Robertson's article describing the inside of the United Nations is very interesting. If only countries could realize how important it is for their success to keep right side up.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. **Price** — 15 cents per share. **Proceeds**—To develop mining claims. **Underwriter**—Wallace Brokerage Co., Wallace, Idaho.

Acteon Gold Mines Ltd., Vancouver, B. C., Can.
April 22 filed 250,000 shares of common stock (no par). **Price**—$1 per share (net to company). **Proceeds**—To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

Alaska-Wrangell Mills, Inc.
June 9 (letter of notification) 58,000 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Business**—Lumber mill. **Office**—216 Third Ave., South, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

American Independence Life Insurance Co., Houston, Texas.
July 14 filed 50,000 shares of preferred stock (no par) and 50,000 shares of common stock (no par) to be offered to commissioned officers of the uniformed services of the United States in units of five shares of each class of stock. **Price**—$495 per unit. Payment may be made in 36 equal monthly instalments of $13.75 each. **Proceeds**—For general corporate purposes. **Underwriter**—None.

American Pipe & Construction Co.
June 30 filed 100,000 shares of common stock (par $1), of which 50,000 will be offered by the company and 50,000 by certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Ampex Corp., Redwood City, Calif. (7/28)
July 7 filed 160,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Business**—Manufacturer of magnetic recording equipment. **Underwriters**—Blyth & Co., Inc. and Irving Lundborg & Co., both of San Francisco, Calif.

● **Applied Science Corp. of Princeton (7/29)**
May 21 filed $750,000 of 6% guaranteed sinking fund 10-year debenture notes due April 30, 1963, of this company and 75,000 shares of common stock (par one cent) of Bradco, Inc., to be offered in units of $100 of notes and 10 shares of stock. **Price**—$105 per unit. **Proceeds**—For acquisition of stock of two companies, which will borrow the remainder to repay bank loans and for working capital. **Underwriter**—C. K. Pistell & Co., Inc., New York.

★ **Arizona Bancorporation, Phoenix, Ariz.**
July 17 filed 150,000 shares of common stock to be offered for subscription by common stockholders on the basis of three-quarters of a new share for each share held (with oversubscription privilege). **Price** — At par ($10 per share). **Proceeds**—To purchase stock of three State banks. **Underwriter**—None.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

● **Atlas Plywood Corp., Boston, Mass. (8/5)**
July 14 filed $5,000,000 of 5% sinking fund debentures due 1968 and 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, etc. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Bettinger Corp., Waltham, Mass.**
July 20 (letter of notification) 37,500 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

● **Boston Edison Co.**
June 26 filed 246,866 shares of capital stock (par $25) being offered for subscription by stockholders of record July 16, 1953, on a 1-for-10 basis (with an oversubscription privilege); rights to expire Aug. 3. **Price**—$45 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., N. Y.

NEW ISSUE CALENDAR

July 24 (Friday)
Corpus Christi Refining Co. .... Common
(Vickers Brothers) $1,230,000
United Gas Corp. .... Common
(Offering to stockholders—no underwriting) 1,171,863 shares

July 28 (Tuesday)
Ampex Corp. .... Common
(Blyth & Co., Inc. and Irving Lundborg & Co.) 160,000 shares
Jones (B. F.) Oil Co. .... Class A Common
(McLaughlin, Reuss & Co.) $299,600
Model Finance Service, Inc. .... Class A Common
(Paul C. Kimball & Co.) $300,000

July 29 (Wednesday)
Applied Science Corp. .... Notes & Stock
(C. K. Pistell & Co., Inc.) $787,500
Petaca Mining Corp. .... Pfd. & Common
(McGrath Securities Corp.) $299,400
Sun Valley Mining Corp. .... Common
(Miller Securities Corp.) $299,000

August 3 (Monday)
California Water & Telephone Co. .... Common
(Blyth & Co., Inc.) 120,000 shares
Penn Fruit Co. .... Preferred
(Hemphill, Noyes & Co.) $2,000,000

August 5 (Wednesday)
Atlas Plywood Corp. .... Debs. & Common
(Van Alstyne, Noel & Co.) $5,000,000 debs. and 150,000 shares of stock
Pittsburgh & Lake Erie RR. .... Equip. & Trust Ctfs.
(Bids noon EDT) $3,225,000

August 10 (Monday)
Consumer Credit Corp. .... Class A Common
(Eisele & King, Libaire, Stout & Co.) $300,000
Texas International Sulphur Co. .... Common
(Vickers Brothers) 400,000 shares

August 11 (Tuesday)
Brunner Manufacturing Co. .... Debs. & Common
(Allen & Co. and Mohawk Valley Investing Co., Inc.) $1,500 debs. and 100,000 shares of stock
Chesapeake & Potomac Telephone Co. of Baltimore City .... Debentures
(Bids to be invited)
State Loan & Finance Corp. .... Debentures
(Johnston, Lemon & Co.) $2,750,000

August 12 (Wednesday)
Gulf, Mobile & Ohio RR. .... Equip. Trust Ctfs.
(Bids to be invited) $4,500,000

August 20 (Thursday)
American Fidelity & Casualty Co. .... Preferred
(Geyer & Co.) $750,000

August 31 (Monday)
Denver & Rio Grande Western RR. .... Eq. Tr. Ctfs.
(Bids to be invited) $3,300,000
Wisconsin Power & Light Co. .... Bonds
(Bids to be invited) $8,000,000

September 1 (Tuesday)
Duke Power Co. .... Bonds & Common
(Bids for bonds to be invited) $35,000,000

September 15 (Tuesday)
Louisiana Power & Light Co. .... Bonds
(Bids noon EDT) $12,000,000
Pacific Telephone & Telegraph Co. .... Debs.
(Bids to be invited) $50,000,000

October 6 (Tuesday)
Mississippi Power Co. .... Bonds
(Bids to be invited) $4,000,000

★ **Brunner Manufacturing Co., Utica, N. Y. (8/11)**
July 21 filed 100,000 shares of common stock (par $1) and $1,500,000 of 15-year 6% subordinated convertible debentures due July 31, 1968. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and to purchase machinery. **Business**—Manufactures air conditioning parts. **Underwriter**—Allen & Co., New York, and Mohawk Valley Investing Co., Inc., Utica, N. Y.

Budget Charge Accounts, Inc., Yonkers, N. Y.
July 1 filed $1,000,000 of seven-year capital notes due Aug. 1, 1960, of which $225,000 principal amount may be offered in exchange for a like amount of five-year 10% subordinated debentures due Aug. 1, 1956. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds**—For additional working capital, but may be used to reduce bank loans. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

California Water & Telephone Co. (8/3-4)
July 13 filed 120,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Central City Milling & Mining Corp.
March 4 (letter of notification) 1,800,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

Central Fibre Products Co., Inc., Quincy, Ill.
March 23 (letter of notification) 2,400 shares of common stock (par $5). **Price**—At market (approximately $39.50 per share). **Proceeds**—To E. Carey, Jr., and W. D. P. Carey, the two selling stockholders. **Underwriters**—Bosworth, Sullivan & Co., Denver, Colo.

● **Chesapeake & Potomac Telephone Co. of Baltimore City (8/11)**
July 10 filed $15,000,000 of 31-year debentures due Aug. 15, 1984. **Proceeds**—To repay advances from American Telephone & Telegraph Co., parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly). **Bids**—Expected to be received on Aug. 11.

Coleman Engineering Co., Inc., Los Angeles, Cal.
June 18 (letter of notification) 38,000 shares of class A common stock (par $1), of which 8,000 shares will be issued to pay off notes at rate of $5 per share, 5,000 shares to be sold to stockholders and employees and 25,000 shares will be sold publicly. **Price**—$5.25 to stockholders and employees and $5.62½ per share to public. **Proceeds**—To repay debt and for working capital. **Office**—6040 West Jefferson Blvd., Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

Colo-Kan Fuel Corp., Denver, Colo.
June 29 (letter of notification) 940,000 shares of class A common stock (par five cents). **Price** — 9½ cents per share. **Proceeds**—For drilling expenses and equipment. **Office**—711 E & C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley & Co., Denver, Colo.

Connohio, Inc. (Ohio), Hartford, Conn.
June 12 (letter of notification) 1,000 shares of convertible preferred stock (par $10). **Price**—$8 per share. **Proceeds**—To selling stockholder. **Underwriter**—S. C. Parker & Co., Inc., Buffalo, N. Y.

★ **Consumer Credit Corp., Tampa, Fla. (8/10)**
July 15 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To open new branch offices. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Consumers Cooperative Association, Kansas City, Mo.**
July 22 filed 200,000 shares of 6% non-cumulative series "A" preferred stock (par $25) and $5,000,000 of 20-year 5½% subordinated certificates of indebtedness. In amounts divisable by $100. **Price**—At par. **Proceeds**—For new construction and working capital. **Underwriter**—None.

● **Corpus Christi Refining Co. (Texas) (7/24)**
June 2 filed 970,000 shares of common stock (par 10 cents), of which 820,000 shares are to be offered to the public. **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Underwriter**—Vickers Brothers, New York. Latter will receive warrants to purchase the remaining 150,000 common shares.

★ **Crown Plastics, Inc., Memphis, Tenn.**
July 15 (letter of notification) 173 shares of 6% non-cumulative preferred stock (par $100) and 172 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Underwriter**—None.

DeKalb & Ogle Telephone Co., Sycamore, Ill.
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholders at the rate of one new share for each four shares held. **Price**—At par ($10 per share). **Proceeds**—To construct telephone exchange. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Eagle Super Markets, Inc., Moline, Ill.
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital. **Office**—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Safety Bldg., Rock Island, Ill.

★ **Emery Industries, Inc., Cincinnati, O.**
July 17 (letter of notification) 7,100 shares of common stock (no par). **Price**—$42 per share. **Proceeds**—To be used by the Thomas J. Emery Memorial. **Office**—Carew Tower, Cincinnati, O. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

Fallon Gas Corp., Denver, Colo.
June 25 (letter of notification) 3,616,000 shares of Class A common stock. **Price**—At par (five cents per share). **Proceeds**—For drilling wells. **Office**—528 E and C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Fenimore Iron Mines Ltd. of Toronto
July 14 filed 1,001,896 purchase warrants to purchase a like number of shares of common "B" stock (par $1) to be issued to holders of 2,003,792 common stock purchase warrants exercisable until July 31, 1953, for the same amount of common shares, on the basis of one "B" common stock purchase warrant for each two common stock purchase warrants exercised. The "B" warrants will be exercisable at any time after Jan. 31, 1954, and be good until Aug. 1, 1955. **Price**—$1.25 per share. **Proceeds**—For field exploration and diamond drilling. **Underwriter**—None.

★ **Fidelity Acceptance Corp., Minneapolis, Minn.**
July 15 (letter of notification) 9,200 shares of class E 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To reduce bank loans. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Fischer's Flavor Seal, Inc., Spokane, Wash.
May 19 (letter of notification) 4,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes a formula for processing fresh meat. **Office**—726 Paulsen Bldg., Spokane Wash. **Underwriter**—R. L. Emacio & Co., Inc., Spokane, Wash.

Gas Service Co.
May 22 filed 1,500,000 shares of common stock (par $10). **Proceeds**—To be used by Cities Service Co. to increase investment in Empire Gas & Fuel Co., another subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly). Statement to be withdrawn.

General Dynamics Corp.
May 12 filed 250,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans made to acquire a block of 400,000 shares of Consolidated Vultee Aircraft Corp. **Underwriter**—Lehman Brothers, New York, to handle U. S. sales of shares, while Greenshields & Co., Inc., will handle Canadian distribution of a portion of the offering. **Offering**—Temporarily postponed.

Georgia RR. & Banking Co.
June 17 filed certificates of deposit for 42,000 shares of common stock. It is planned to vote on a voluntary plan of adjustment under which it is planned to segregate the business of the Georgia RR. Bank & Trust Co. and the railroad business and to place the company in a position where it can obtain additional funds in the near future. See also First Railroad & Banking Co. of Georgia under "Prospective Offerings" below.

★ **Glass Fibers, Inc., Toledo, Ohio**
July 13 (letter of notification) 1,762 shares of common stock (par $1), to be issued upon exercise of stock options to employees. **Price**—$10 per share. **Office**—1810 Madison Ave., Toledo, O. **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Gray Manufacturing Co., Hartford, Conn.
May 1 filed 55,313 shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — None. **Offering** — No definite plan adopted.

★ **Great International Development Corp.**
July 6 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses and working capital. **Office**—Suite 1514, 50 Broad St., New York, N. Y. **Underwriter**—Baruch & Co., Inc., New York, N. Y.

Hartford Special Machinery Co.
June 1 (letter of notification) 7,500 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($20 per share). **Proceeds**—To purchase equipment and for working capital. **Office**—287 Homstead Ave., Hartford, Conn. **Underwriter**—None.

★ **Haydock Fund, Inc., Cincinnati, O.**
July 17 filed 20,000 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Underwriter** — None.

Home Telephone & Telegraph Co., Emporia, Va.
June 18 (letter of notification) 40,320 shares of common stock (par $5) being offered for subscription by common stockholders on the basis of one new share for each six shares held as of July 9; rights to expire on July 29. **Price**—$5.50 per share. **Proceeds**—To pay off short-term loans. **Underwriter**—None.

Hotel Drake Corp., New York
June 12 filed 13,573 shares of capital stock (par $5) and $339,325 of 4% 10-year cumulative income debentures due Aug. 1, 1963, to be offered for subscription by stockholders in units of one share of stock and a $25 debenture (with an oversubscription privilege). **Price** — $30 per unit. **Proceeds**—To repay $300,000 bank debt and for working capital. **Underwriter**—None.

Hunter Creek Mining Co., Wallace, Idaho
June 2 (letter of notification) 160,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For operating capital. **Office** — 509 Bank St., Wallace, Idaho. **Underwriter**—Mine Financing, Inc., Spokane, Wash.

Inland Western Loan & Finance Corp., Phoenix, Ariz.
July 2 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered to present and future holders of Special Participating Life Insurance Contracts issued by Commercial Life Insurance Co. of Phoenix. **Price**—$1.50 per share. **Proceeds** — To develop and expand company's loan and finance business. **Underwriter**—None. An additional 300,000 shares have been and are being offered for sale in Arizona at $1 per share to holders of Commercial's special participating contracts, the proceeds of which are to be used to activate the company in the loan and finance business.

International Telephone & Telegraph Co.
June 26 filed $35,883,300 of 20-year convertible debentures due Aug. 1, 1973, to be offered for subscription by stockholders at rate of $100 of debentures for each 20 shares of capital stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Indefinitely postponed.

● **Ionics, Inc., Cambridge, Mass.**
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Postponed until some time in September.

Junction City (Kan.) Telephone Co.
March 3 (letter of notification) $206,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1977. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Nebraska.

★ **Keck Oil Co., Los Angeles, Calif.**
July 16 (letter of notification) 30,100 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling and equipment. **Office**—Room 305, Times Bldg., Los Angeles, Calif. **Underwriter**—None.

Keystone Helicopter Corp., Phila., Pa.
April 23 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase helicopter and equipment and for working capital. **Office**—Land Title Bldg., Philadelphia, Pa. **Underwriter**—None.

Lincoln Telephone & Telegraph Co.
June 19 (letter of notification) 9,446 shares of common stock (par $16.66⅔ per share) being offered for subscription by common stockholders of record June 1 on a 1-for-18 basis; rights to expire July 28. **Price**—$26 per share. **Proceeds** — For improvements and additions to property. **Office**—Lincoln, Neb. **Underwriter**—None.

Liquor Register, Inc., Roslindale, Mass.
July 3 (letter of notification) 2,100 shares of common stock (par $5). **Price**—$16.50 per share. **Proceeds**—For working capital for device to dispense and record drinks. **Office**—596 Poplar St., Roslindale, Mass. **Underwriter**—Coburn & Middlebrook, Inc., Boston, Mass.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

M J M & M Oil Co., San Francisco, Calif.
June 23 (letter of notification) 265,232 shares of capital stock (par 10 cents) being offered for subscription by stockholders of record July 7 at rate of one new share for each 11 shares held; rights to expire July 29. **Price**—$1.10 per share. **Proceeds**—To repay bank loan and for working capital. **Office**—155 Sansome St., San Francisco, Calif. **Underwriter**—None.

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.

★ **McWilliams Dredging Co., New Orleans, La.**
July 15 (letter of notification) 3,800 shares of common stock (par $10). **Price** — At market (approximately $12.62½ per share). **Proceeds**—To a selling stockholder. **Underwriter**—Bacon, Whipple & Co., Chicago, Ill.

Miami Window Corp., Miami, Fla.
July 9 (letter of notification) 150,000 shares of preferred stock. **Price**—At par ($2 per share). **Proceeds**—To liquidate obligations and for payment of current accounts and working capital. **Office**—5200 N. W. 37th Ave., Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Florida.

Michigan Consolidated Gas Co.
May 15 filed $20,000,000 of first mortgage bonds due 1978. **Proceeds**—From sale of bonds, plus proceeds from sale of 215,000 shares of common stock (par $14) to American Natural Gas Co., parent, for $3,010,000, to be used to repay bank loans and for construction program. **Bids**—A group headed jointly by Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc. and Union Securities Corp. entered the only bid on June 15 for the securities—100.125 for 5s. This bid was rejected. Reoffering had been planned at 101.875 to yield 4.87%. July 6 company sought SEC authority to borrow $20,000,000 from banks on 3¼% notes pending permanent financing.

Miles Laboratories, Inc., Elkhart, Ind.
June 16 (letter of notification) 5,400 shares of capital stock (par $2). **Price**—$18.50 per share. **Proceeds**—To Cathryn Collins Keller, the selling stockholder. **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Indiana.

● **Model Finance Service, Inc. (7/28)**
June 29 (letter of notification) 60,000 shares of class A convertible common stock (par $1)—convertible share-for-share into common stock (par $1). **Price** — $5 per share. **Proceeds**—For working capital. **Office**—1203 National Bank Bldg., Jackson, Mich. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Muntz TV Inc., Chicago, Ill.
June 19 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (about $3.25 per share). **Proceeds**—To Earl W. Muntz, President. **Underwriter**—L. D. Sherman & Co., New York.

★ **National Foods Corp.**
July 10 (letter of notification) 76,725 shares of common stock. **Price**—At market. **Proceeds**—To Weber-Millican Co., New York. **Office**—131 Dahlen St., Pittsburgh, Pa. **Underwriter**—Weber-Millican Co.

Natural Gas & Oil Corp., Shreveport (La.)
June 17 filed 452,129 shares of common stock (par $5) being offered for subscription by common stockholders of record June 30 at the rate of one new share for each four shares held; rights to expire on July 24. **Price**—$10 per share. **Proceeds**—To pay $1,500,000 debt and for acquisition of properties and for exploratory drilling and other expenses. **Underwriter**—None. Mississippi River Fuel Corp. owner of 49.76% of the outstanding shares will purchase any unsubscribed shares.

Noryn Mines Ltd., Hull, Quebec, Canada
April 23 filed 500,000 shares of common stock (par $1). **Price**—50 cents per share. **Proceeds**—To repay loans and for other corporate purposes. **Underwriter**—None.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, which statement was amended May 20 to 200,000 shares and warrants to purchase 200,000 shares to be offered in units of one share of stock and one warrant. **Price**—75 cents per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

Ohio Oil Co.
July 9 filed with the Ohio Oil Co. Thrift Plan $15,000,000 of participations in the plan and 268,456 underlying shares of Ohio Oil Co. capital stock (no par).

★ **Oil Finance Corp., Warren, Pa.**
July 16 (letter of notification) 1,250,000 shares of common stock (par 1 cent). **Price**—At the market (about 4 cents per share). **Proceeds**—To Anderson Oil Co., the selling stockholder. **Office**—217 Hickory St., Warren, Pa. **Underwriter**—None.

★ **Orlo Oil Co., Boise, Idaho**
July 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For drilling expenses. **Office**—715 Grove St., Boise, Idaho. **Underwriter**—None.

Overland Oil, Inc., Denver, Colo.
June 10 filed 600,000 shares of common stock (par 10¢) to be offered for subscription by stockholders (except the original incorporators) at rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—None.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

Paramount Pictures Corp.
June 30 filed 36,500 shares of common stock (par $1) to be offered from time to time on the New York Stock Exchange. **Price**—At the market. **Proceeds**—To Barney Balaban, President, and Tillie Balaban, his wife, who are the selling stockholders. **Underwriter**—None.

Pecos Exploration Co., Dallas, Tex.
June 17 filed 1,725,000 shares of common stock (par five cents), of which 1,150,000 shares are to be offered for subscription by stockholders of Leon Land & Cattle Co. on the basis of one Pecos share for each Leon share held; and up to 575,000 shares are to be distributed as a property dividend on the basis of one-half share of Pecos stock for each Leon share held on or about July 20. **Price**—33 cents per share. **Proceeds**—For drilling expenses, etc. **Underwriter** — None, but Beer & Co., of Atlanta (Ga.), New Orleans (La.) and Dallas (Tex.) will solicit the exercise of warrants.

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Pedlow-Nease Chemical Co., Inc.
July 9 (letter of notification) 2,000 shares of capital stock (no par) to be offered to stockholders of record June 29 at rate of one new share for each five shares held. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Lock Haven, Pa. **Underwriter**—None.

★ **Penn Fruit Co., Inc., Philadelphia, Pa. (8/3-4)**
July 15 filed 40,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — For development program and working capital. **Underwriter**—Hemphill, Noyes & Co., New York.

Peruvian Oil Concessions Co., Inc.
Jan. 16 filed 9,000,000 shares of common stock (par $1) (amended April 24 to 1,000,000 shares). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—B. G. Phillips & Co., New York.

● **Petaca Mining Corp., Santa Fe, N. M. (7/29)**
June 30 (letter of notification) 99,800 shares of preferred stock (par 50 cents) and 199,600 shares of common stock (par 10 cents) to be offered in units of one preferred and two common stocks. **Price**—$3 per unit. **Proceeds**—For mining equipment and construction costs. **Office**—3000 Cerrillos Road, Santa Fe, N. M. **Underwriter**—McGrath Securities Corp., New York.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices. It is contemplated plan will be placed in effect on or about Aug. 1, 1953.

Powdercraft Corp., Spartanburg, S. C.
June 3 (letter of notification) 5,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes machine parts. **Office** 746 Hayne St., Spartanburg, S. C. **Underwriter**—Calhoun & Co., Spartanburg, S. C.

● **Providence Park, Inc., New Orleans, La.**
July 7 (letter of notification) 33,333 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To develop and improve property for cemetery. **Office**—516 Carondelet Bldg., New Orleans, La. **Underwriter**—Woolfolk & Shober, New Orleans, La.

★ **Reymert Extension Silver Mines, Superior, Wis.**
July 17 (letter of notification) 200,000 shares of capital stock. **Price**—12½ cents per share. **Proceeds**—For drilling expenses. **Address**—P. O. Box 521, Superior, Wis. **Underwriter**—None.

Richfield Oil Corp., Los Angeles, Calif.
June 22 filed $5,425,000 of interests in Employees Stock Purchase Plan and 100,000 shares of common stock of the company purchaseable under the Plan.

Ridley Mines Holding Co., Grafton, N. D.
June 1 filed 120,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Royal Oil Co., Inc., Wichita, Kan.**
July 14 (letter of notification) 30,000 shares of common stock (par $5). **Price**—$8.25 per share. **Proceeds**—For drilling of leases. **Underwriter**—None.

★ **Royalcall, Inc., Cleveland, Ohio**
July 16 (letter of notification) $150,000 of 5% convertible debentures) due July 1, 1959, and 1,080 shares of common stock (no par). **Price**—Par for debentures and $2.50 per share for stock. **Proceeds**—To be exchanged for presently outstanding debentures and for machinery and working capital. **Office**—11462 Euclid Ave., Cleveland, O. **Underwriter**—None.

Saint Anne's Oil Production Co.
April 23 filed 270,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. **Offering** — Expected today (July 23).

Schlafly Nolan Oil Co., Inc.
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholds, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter** — L. H. Rothchild & Co., New York. **Offering** — Indefinitely postponed.

Scillitoe (Edgar L.), Inc. (N. Y.
May 25 (letter of notification) 298,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds** —To acquire plant, machinery and equipment; and for working capital. **Office**—10-15 Spruce St., New York. **Business** — Manufacturer of electronic and electro-mechanical devices. **Underwriter** — Nielsen & Co., New York, N. Y. **Offering**—Temporarily postponed.

Soundscriber Corp., New Haven, Conn.
June 4 (amendment to letter of notification) 15,588 shares of capital stock (no par). **Price**—$6.25 per share. **Proceeds**—For payment of debt and working capital. **Business** — Manufacture of dictating and transcribing machines. **Office** — 146 Munson St., New Haven, Conn. **Underwriter**—None.

Southeastern Fund, Columbia, S. C.
June 26 (letter of notification) 116,016 shares of common stock (par $1) to be offered to stockholders through transferable warrants; unsubscribed shares to be offered to public. **Price** — To stockholders, $2.15 per share; to public, $2.37½ per share. **Proceeds**—For working capital. **Office**—Palmetto State Life Bldg., Columbia, S. C. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co.
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—Received on May 5 but rejected.

● **State Loan & Finance Corp. (8/11)**
July 14 filed $2,750,000 of 5% 7-year sinking fund subordinated debentures due April 1, 1960. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

● **Sun Valley Mining Corp., Jerome, Ida. (7/29-30)**
Aug. 9 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of mill and working capital. **Offices** — 150 Broadway, New York, and 136 Locust St., Jerome, Ida. **Underwriter**—Miller Securities Co., New York.

Technograph Printed Electronics Inc.
June 26 (letter of notification) 99,906.2 shares of common stock (par 40 cents) to be offered to common stockholders of record July 13, 1953 on a basis of one new share for each two shares held; rights to expire March 3, 1955. **Price**—$3 per share. **Proceeds**—For licensing activities and improving patent position and for working capital. **Office** — 191 Main St., Tarrytown, N. Y. **Underwriter**—None.

Texas International Sulphur Co. (8/10)
June 29 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance cost of drilling test wells of sulphur reserves. **Office**—Houston, Tex. **Underwriter**—Vickers Brothers, New York.

● **Texota Oil Co., Fort Worth, Tex.**
June 21 filed 250,000 shares of common stock (par 1¢). **Price**—$5 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn. **Offering** —Expected in August.

Textron Incorporated, Providence, R. I.
June 25 filed 4,930 shares of 4% preferred stock, series A (par $100) to be offered in exchange for the 19,719 shares of 5% cumulative preferred stock, series A (par $25) of Textron Puerto Rico, a subsidiary, on a one-for-four basis. Offer to expire Sept. 30, 1953.

★ **Trusteed Funds, Inc., Boston, Mass.**
July 16 filed $400,000 face amount of Commonwealth Fund—indenture of trust—plan C securities. **Proceeds**—For investment. **Underwriter**—None.

★ **Tyte Products Corp., Westboro, Mass.**
July 15 (letter of notification) 145,000 shares of class A common stock (par $1) (with detachable warrants for 145,000 shares). **Price**—$2 per share. **Proceeds**—For land, buildings, machinery and equipment for manufacture of paper containers. **Office**—9 Grove St., Westboro, Mass. **Underwriter**—Armington & Co., Boston, Mass.

Union Carbide & Carbon Corp.
June 17 filed 500,000 shares of capital stock (no par) to be offered under "The Savings Plan for Employees of the Corporation and U. S. Subsidiary Companies."

United Gas Corp., Shreveport, La. (7/24)
June 26 filed 1,171,863 shares of common stock (par $10) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of record July 23 (with an oversubscription privilege); rights to expire on Aug. 14. **Price**—$21 per share. **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—None.

United Mining & Leasing Corp.
Central City, Colo.
May 4 (letter of notification) 115,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining equipment. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

U. S. Airlines, Inc., New York
May 28 filed 1,000,000 shares of common stock (par 5 cents). **Price**—To be supplied by amendment. **Proceeds** —For working capital, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

★ **U. S. Igniter Corp. (Pa.)**
July 15 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For working capital. **Business** — Manufacture of aviation products. **Underwriter**—None.

★ **United States Radium Corp.**
July 17 (letter of notification) 10,603 shares of common stock (par $2) to be offered for subscription by stockholders of record July 28 on the basis of one new share for each six shares held. Rights will expire Aug. 17. Unsubscribed shares will be offered to officers and employees for a 30-day period. **Price** — $8.50 per share. **Proceeds**—To reimburse treasury in connection with redemption July 1 of 821 shares of $7 first preferred stock. **Office**—535 Pearl St., New York, N. Y. **Underwriter**—None.

★ **United Wholesale Druggists of St. Louis, Inc.**
July 15 (letter of notification) 2,007 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—For inventory purchases and working capital. **Office**—3901 N. Kingshighway Blvd., St. Louis, Mo. **Underwriter**—None.

★ **Van Strum & Towne Stock Fund, Inc.,**
San Francisco, Calif.
July 20 filed 400,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company, Buffalo, N. Y.

★ **Wallace (William) Co., Belmont, Calif.**
July 7 (letter of notification) 12,100 shares of capital stock (par $10). **Proceeds**—For machinery and equipment. **Office**—Old Country Road, Belmont, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Washington Natural Gas Co., Clarksburg, W. Va.**
July 20 (letter of notification) 300,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For working capital. **Underwriter**—Barrett Herrick & Co., Inc., N. Y.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

Webb & Knapp, Inc., New York
June 29 filed 3,000,000 shares of common stock (par 10 cents), of which 100,000 shares are to be offered after effective date; the remaining 2,900,000 shares will be offered from time to time prior to July 15, 1954. **Price**—At market. **Proceeds**—To William Zeckendorf, President and selling stockholder who owns 11,567,804.7 shares. **Business**—Real estate and other interests. **Underwriter** —None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds** —Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Safflower Corp.
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Williston Basin Oil Exploration Co.
June 17 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—Expected at around 30 cents per share. **Proceeds**—For working capital. **Office**—209 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City.

Prospective Offerings

Allied Stores Corp.
June 16 stockholders voted to increase the authorized cumulative preferred stock (par $100) from 267,486 shares to 400,000 shares and the authorized common stock (no par) from 2,500,000 to 4,000,000 shares. The company has no plans for the immediate issue of any of the new shares. Traditional underwriter: Lehman Brothers, New York.

Allis-Chalmers Mfg. Co.
May 6 stockholders approved a proposal to increase the authorized common stock from 3,750,000 shares (no par) to 5,000,000 shares (par $20). It is not presently planned to issue any of the additional stock. **Underwriter**—Previous financing was handled by Blyth & Co., Inc.

American Fidelity & Casualty Co. (8/20)
July 8 it was stated registration is planned around July 28 of about 100,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders about Aug. 20 on a share-for-share basis; with about a 14-day standby. **Price** — To be named later. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Bangor & Aroostook RR.
One bid was received by the RFC at Room 1157, 811 Vermont Ave., N. W., Washington, D. C., prior to 5:30 p.m. (EDT) on May 25 for the purchase from it of $1,675,000 of collateral trust 4% bonds due July 1, 1961. It was refused, however, as it was too low. It is possible that the bonds may be offered again in the coming months.

Bates Manufacturing Co.
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. **Proceeds**—To purchase properties in the South. **Underwriters**—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. **Plan Opposed**—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

Brunner Manufacturing Co., Utica, N. Y.
June 23 it was reported company plans public offering of $1,500,000 15-year subordinated sinking fund convertible debentures and 100,000 shares of common stock. **Proceeds**—To build new plant in Georgia, to retire about $250,000 of preferred stock presently held by Prudential Insurance Co. of America, and for working capital. Preferred shares may be exchanged for part of debentures. **Underwriters**—Allen & Co., New York, and Mohawk Valley Investing Co., Utica, N. Y. **Offering**—Expected in August.

● **Central Bank & Trust Co., Denver, Colo.**
July 17 stockholders were offered the privilege to subscribe for 100,000 additional shares of capital stock (par $10) on the basis of two additional shares for each three shares held after 50% stock distribution; rights expire July 27. **Price**—$14 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Boettcher & Co. and Peters, Writer, Christensen, Inc., and Garrett-Bromfield & Co., all of Denver, Colo.

Central Hudson Gas & Electric Corp.
June 16 Ernest R. Acker, President, announced that company plans to offer (1) approximately 140,000 shares of common stock to stockholders at rate of one new share for each 15 shares held; (2) 20,000 shares of common stock to employees; and (3) $6,000,000 of convertible debentures to public. **Proceeds**—To pay off bank loans and for construction program. **Underwriters**—Probably Kidder, Peabody & Co. and Estabrook & Co. (jointly). **Offering**—Expected early in September.

Central Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

Central Louisiana Electric Co., Inc.
April 16 stockholders authorized a block of the authorized common stock for issuance and sale locally in the parishes in which the facilities of the company are located, such stock not to exceed $300,000 in aggregate market value. They also approved issuance of securities convertible into shares of any class of capital stock.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Community Public Service Co.
June 23 the FPC authorized the company to issue up to $2,500,000 short-term promissory notes to banks (this includes $1,600,000 already outstanding). These will be paid off by permanent financing with mortgage bonds to be undertaken during the latter part of February or early part of March, 1954. Previous bond financing was done privately.

Delaware Power & Light Co.
April 21 stockholders approved a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc., and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Denver & Rio Grande Western RR. (8/31)
July 7 it was reported that the company proposes to sell $3,300,000 additional equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Duke Power Co. (9/1)
July 9 company announced it plans to issue and sell $35,000,000 first and refunding mortgage bonds, due 1983, and 208,321 additional shares of common stock (the latter to stockholders on a 1-for-20 basis). **Underwriters**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. (2) For stock, no underwriters. **Proceeds**—For construction program. **Bids**—For bonds, expected to be opened on Sept. 1.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

El Paso Natural Gas Co.
March 25 it was announced company plans to place privately $120,000,000 of first mortgage bonds and sell publicy $25,000,000 debentures in addition to 200,000 shares of preferred stock registered June 26 with SEC. **Underwriter**—White, Weld & Co., New York.

Fidelity Trust Co. of Baltimore
July 10 stockholders of record that date were given the right to subscribe for 24,350 additional shares of capital stock (par $25) on the basis of one new share for each three shares held; rights to expire on July 28. **Price**—$55 per share. **Underwriters** — Alex. Brown & Sons; Baker, Watts & Co. and John C. Legg & Co., all of Baltimore, Md.

First Railroad & Banking Co. of Georgia
May 4 it was announced that this new company will offer stockholders of Georgia Railroad & Banking Co. in exchange for each share held, one share of the new company's stock, the right to subscribe within 30 days for 13 additional shares at $4.10 per share and a $250 collateral trust 5% bond due May 1, 1990; the offer to become effective upon acceptance by 95% of the outstanding stock. An additional 210,000 of the new shares would be purchased by the underwriters, plus any of the unsubscribed shares. **Proceeds**—To retire $2,190,000 of Georgia Railroad & Banking Co. debentures held by an insurance firm. **Underwriters**—Johnson, Lane, Space & Co. and Joseph Walker & Sons.

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probably Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

Gulf, Mobile & Ohio RR. (8/12)
Bids are expected to be received by the company on Aug. 12 for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Illinois Bell Telephone Co.
July 9 company sought Illinois Commerce Commission to issue and sell 568,703 shares of capital stock (par $100) to stockholders (American Telephone & Telegraph Co., parent, owns all but about 4,000 shares of outstanding stock). **Proceeds** — To retire indebtedness to parent company. **Underwriter**—None.

Iowa Electric Light & Power Co.
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

Iowa-Illinois Gas & Electric Co.
May 15 it was reported company may issue and sell early in 1954 about $6,000,000 aggregate amount of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, Harriman Ripley & Co. Inc.

Jones (B. F.) Oil Co. (7/28)
June 10 it was reported company plans issue and sale of 299,600 shares of Class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

Kansas-Nebraska Natural Gas Co., Inc.
May 12 it was reported company may issue and sell about $4,750,000 first mortgage bonds. **Proceeds**—To repay $800,000 bank loans and for new construction. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

LaSalle National Bank, Chicago, Ill.
June 25 stockholders of record June 24, 1953 were given the right to subscribe on or before July 24 for 20,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares held. **Price**—$40 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—The Illinois Co., Chicago, Ill.

Long Island Lighting Co.
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co. (9/15)
June 10 it was announced company expects to issue and sell in September $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received up to noon (EDT) on Sept. 15. **Registration**—Planned for Aug. 11.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Minneapolis-Honeywell Regulator Co.
April 28 stockholders approved a proposal increasing authorized common stock (par $1.50) from 3,440,000 to 3,950,000 shares and the preference stock (par $100) from 160,000 to 210,000 shares. Immediate issuance of increased stock not planned. **Underwriter**—Probably Union Securities Corp., New York.

★ **Mississippi Power Co. (10/6)**
July 20, L. P. Sweatt, President, announced company plans to issue and sell $4,000,000 of 30-year first mortgage bonds due 1983. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Equitable Securities Corp. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp. **Bids**—Expected to be submitted on Oct. 6.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Powe

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& Light Co.'s $6 preferred stock (no par), of which 44,-476 shares are now outstanding, may be considered This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp (jointly; W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

Montana-Dakota Utilities Co.
May 2 it was announced company plans to issue and sell in 1953 approximately $8,000,000 of first mortgage bonds. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100 in February and $5,000,000 of 3¾% debentures due 1991 in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

★ Northern Natural Gas Co.
July 17 Harry H. Siert, Treasurer, announced that stockholders will soon vote on authorizing an issue of 750,000 shares of preferred stock, of which it is planned to issue and sell 250,000 shares (par $100) this Fall. **Underwriter**—Blyth & Co., Inc. handled recent common stock financing.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,-000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,-000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-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 $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe-line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

● Pacific Telephone & Telegraph Co. (9/15)
July 2 it was announced company plans to issue and sell $50,000,000 of 31-year debentures due Sept. 15, 1984 and 1,004,603 shares of common stock at $100 per share in the ratio of one new share for each seven shares held. **Proceeds** — To repay bank loans. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares. **Bids**—Expected about Sept. 15.

● Peoples Trust Co. of Bergen County (N. J.)
June 25 stockholders approved issuance and sale to stockholders of record June 9 of 70,000 additional shares of capital stock (par $5) on the basis of seven new shares for each 20 shares held following split-up of present outstanding 40,000 $25 par shares into 200,000 $5 par shares on a 5-for-1 basis; rights to expire Aug. 14. Unsubscribed shares to be offered to public. **Price**—$15 per share. **Proceeds**—To increase capital and surplus.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Financing may be done privately. **Underwriters** — 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.

Pittsburgh & Lake Erie RR. (8/5)
Bids are expected to be received by the company up to noon (EDT) on Aug. 5 for the purchase from it of $3,225,000 equipment trust certificates to be dated Sept. 1, 1953, and to mature in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell in 1953 approximately $5,000,000 of bonds and sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Public Service Co. of Oklahoma
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Central Republic Co. (Inc.). **Proceeds**—For additions and improvements.

Public Service Electric & Gas Co.
Feb. 25 it was announced company plans issuance and sale in June of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp. **Offering**—Postponed.

Raytheon Manufacturing Co.
June 10 C. F. Adams, Jr., President, was reported as stating that company was contemplating offering about 434,988 additional shares of common stock to stockholders on the basis of one new share for each five shares held. **Proceeds**—For expansion program. **Underwriters**—May be Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Offering**—Expected in August.

Silex Co.
June 4 it was reported company plans to offer rights to stockholders to subscribe for about 268,750 shares of common stock (par $1). **Price**—Not less than $3.50 per share. **Proceeds**—To redeem 5½% convertible debentures within four months after their sale. **Underwriter**—None.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. **Securities** may be sold privately through competitive sale.

● South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518. Rehearing by FPC to be held Aug. 10.

Southern California Edison Co.
July 2 it was announced company plans to issue and sell $30,000,000 bonds late in August. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co.

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

Sunray Oil Corp.
May 13 company disclosed it is planning to issue and sell securities sufficient to raise several millions of dollars of capital to finance two new manufacturing division projects in each of which it would own a 50% interest. **Underwriter**—Eastman, Dillon & Co., New York.

Tennessee Gas Transmission Co.
March 27 it was reported company expects to do some debt financing this Fall (under $50,000,000) to replace short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Toledo Edison Co.
April 21 stockholders approved a proposal to increase the authorized common stock from 5,000,000 to 7,500,000 shares and to amend the articles of incorporation so as to provide that the limit on the amount of unsecured indebtedness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus. Charles E. Ide, President, stated that the management has no present plans to issue new common shares. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York .

United Gas Corp.
May 1 it was announced company (in addition to abovementioned proposed stock offering) plans to issue and sell about $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co., and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman Sachs & Co. (jointly). **Offering**—Expected later in 1953.

Walworth Co.
March 25 stockholders voted to increase authorized common stock from 1,900,000 shares to 2,500,000 shares and to grant directors right to issue all or part of increased stock without prior offering to stockholders also to reserve part of the additional shares for issue upon conversion of convertible 3¼% debentures due May 1, 1976. **Underwriter**—May be Paine, Webber, Jackson & Curtis, New York and Boston.

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters** — May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

Westcoast Transmission Co.
April 10 it was stated company may issue and sell $59,-000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,-000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

★ Western Massachusetts Companies
June 30, H. J. Caldwell, President, stated trustees are studying plan to issue and sell additional common stock which would provide the company's electric subsidiary with sufficient funds to retire not exceeding one-half of an $8,000,000 bank loan. A total of 978,527 no par common shares are presently outstanding. **Offering** — Expected before end of 1953, subject to market conditions. **Underwriters** — May be The First Boston Corp., New York.

Westinghouse Air Brake Co.
July 8 it was announced stockholders will on Aug. 25 vote on increasing the authorized indebtedness to not exceeding $50,000,000 at any time outstanding. Financing being considered to pay off $30,000,000 bank loans owed by Le Tourneau-Westinghouse Co., a new subsidiary, and for working capital. **Underwriter**—The First Boston Corp., New York.

★ Wisconsin Power & Light Co. (8/31)
July 15 it was reported company may issue and sell $8,-000,000 first mortgage bonds, series G, due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co.; Equitable Securities Corp.; The First Boston Corp. **Bids** — Tentatively expected to be received on Aug. 31.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

Continued from page 30

Mutual Funds

actuaries specializing in pensions and Francis X. Martinez in public relations.

Standard references offered by the company include John Fiske, President of the Fiduciary Trust Company of New York, Robert F. Nelson, President and General Manager of Lanston Monotype Company and Joseph E. Swan, Senior Partner of Hayden Stone & Company.

CLOSED-END NEWS

NET ASSET value of The Lehman Corporation on June 30, 1953 was $65.60 per share of Capital Stock, Robert Lehman, President, reported in the 24th annual report to stockholders. This value is after deducting the dividend of $3.14 per share, declared on July 1, 1953, of which $2.08 per share constituted a distribution of capital gains realized during the fiscal year. Net asset value was $71.57 at the close of the previous fiscal year.

Comparison of the current report with the previous statement of conditions shows that during the 12 months period sales of portfolio securities, excluding U. S. Government obligations, amounted to $12,094,858, while purchases of securities amounted to $10,753,415. Common Stocks accounted for 88.5% of the value of the net assets as compared with 84.4% a year earlier. Net assets amounted to $136,218,106 of which $118,196,891 represented the value of the Common Stock portfolio. Cash, U. S. Government obligations and receivables, less liabilities, totaled $13,203,376 or 9.7% of net assets compared with $15,912,887, or 10.6% on June 30, 1952.

The largest category of common stock investment was in oil and gas companies which constituted 34.9% of the Company's net assets. Public Utilities shares, the second largest holding, constituted 16.4%.

The report points out that a stockholder who paid $104 for one share of Capital Stock of the Corporation when it was originally issued in September, 1929, and kept his investment, held on June 30, 1953, three shares with a total net asset value of $196.80. Meanwhile, he has received a total of $177.62 in dividends, including the recent declaration, $93.25 of which was paid from net ordinary income, and $84.37 from realized profits on investments.

During the final quarter of the year, the chief additions to the common stock portfolio consisted of 10,000 shares of the Louisiana Land and Exploration Company; 10,000 shares of Pacific Gas and Electric Company; and 5,000 shares of Continental Can Company, Inc., these being additions to the previous holdings; and 10,000 shares of Wisconsin Electric Power Company, a new holding. Sold were 28,572 shares of Long Island Lighting Company and 15,000 shares of Washington Water Power, reducing the holdings in the latter stock to 1,200 shares; 5,000 shares of American Republics Corp., leaving 22,000 shares in the portfolio.

The report also described the steady increase in the number of stockholders over the past 24 years. On June 30, 1953, there were 17,039 stockholders—more than 3½ times the number of holders at the end of 1929—with beneficial ownership even more widely increased because of the number of banks and brokers listed as single holders. Among the registered holders were 1,088 fiduciaries, banks and trust companies, insurance companies, religious, charitable and educational institutions.

NET ASSET value at June 30, 1953 of National Shares Corporation, a closed-end investment company managed by Dominick & Dominick, based on market quotations, amounted to $33.30 per share, on the 360,000 shares of capital stock outstanding. On Dec. 31, 1952 net assets amounted to $35.56 per share.

Aggregate unrealized appreciation in value of securities owned as compared with cost amounted to $3,581,938, at June 30, 1953.

Our Reporter's Report

About the only spark of consolation that investment bankers and dealers can find in these dog-days is the tendency toward betterment that has been showing in the seasoned market.

While this improvement stems to some extent, perhaps, from the veritable dearth of new offerings, it is at least heartening in looking toward the resumption of more normal activities after the summer lull passes.

Certainly, unless there is a reversion to the conditions of a month or two back, the improved market situation should be an inducement to potential corporate borrowers to reconsider some of the new financings that were side-tracked during the period of declining prices and rising yields.

The improvement that set in with the lowering of banks' reserve requirements by the Federal Reserve has tended to make for better feeling around the market place even though some incline to the belief that there has been a tendency to give the Board's action too much significance.

It must be taken, however, as an indication that the Administration does not intend to bring about any strangulation in the money market in its attempts to keep inflationary forces in restraint.

The fact remains that the price improvement which has come about since that development has brought a corresponding reduction in the yield basis for top grade corporates. The average yield for such bonds now is around 3.57% to 3.60% as against the recent peak of about 3.75%.

Slowed To a Walk

Dealers these days are complaining of things other than the unrelenting heat, but even the high temperatures would be easier to take if the volume of business was a little better.

The major concern these days is that, by and large, normally active accounts are "dead" as one of their number put it. Accounts which normally come through with a dozen orders in the course of a week are now literally dormant.

Fact of the matter is that some of those who normally stick pretty close to the corporate field are now taking a fling at municipals where there is at least the semblance of activity. Trust accounts are moderately active in this quarter of the market.

El Paso Natural Gas

The poor performance of the equity market proved no deterrent to the quick distribution of 200,000 shares of new preferred stock of El Paso Natural Gas Co.

Carrying a 5.65% dividend rate, cumulative, the stock was priced at par to yield the full amount of the dividend. Reports indicated it was being absorbed in brisk manner.

Funds raised through the sale of the stock, together with an additional $24,000,000 being raised by the sale of bonds directly to institutional investors, will permit the company to liquidate some $38,000,000 in bank loans incurred earlier to finance construction of new pipeline capacity.

Calendar Clear Next Week

So far as corporate debt securities are concerned, next week will bring a complete hiatus in this end of the new issue business. There is not a single debt issue scheduled for public offering, that is as far as those in registration with the Securities and Exchange Commission are concerned.

Since dealers' shelves are virtually clear of any left-overs from recent offerings, it appears that time will hang heavy on the hands of the underwriting fraternity. It would have been an ideal week for general vacations had it been possible to look that far ahead a while back.

The calendar is decidedly thin right through until Aug. 5 when Atlas Plywood's $5,000,000 of debentures are due out, to be followed on Aug. 11 by bidding on $15,000,000 debentures of Chesapeake & Potomac Telephone Co. The next really big issue is $35,000,000 of mortgage bonds of Duke Power Co. on which bids are due to be opend on Sept. 1.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Burt Kleiner has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Wesley H. Train has been added to the staff of Francis I. du Pont & Co., 723 East Green Street.

With R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Edward N. Schopp has joined the staff of Richard A. Harrison, 2200 16th Street.

With Sweney, Cartwright

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Donald C. Manson is with Sweney, Cartwright & Co., Huntington Bank Building, members of the Midwest Stock Exchange.

With King Merritt

ROLLA, Mo. — John E. Smith has become connected with King Merritt & Company, Inc. of New York.

E. M. Roussel Opens

TROY, N. Y.—Edmond M. Roussel is engaging in a securities business from offices at 223 Eighth Street.

DIVIDEND NOTICES

GAMEWELL

At a meeting of the Board of Directors of The Gamewell Company, held today, Friday, July 17, 1953, a dividend of $.35 cents per share, was declared payable on the Common Stock of the Company on August 15, 1953, to stockholders of record at the close of business on August 5, 1953.

W. C. Beck, Treasurer

ALUMINIUM LIMITED

DIVIDEND NOTICE

On July 15, 1953, a quarterly dividend of fifty cents per share in U. S. currency was declared on the no par value shares of this Company payable September 5, 1953, to shareholders of record at the close of business July 31, 1953.

Montreal July 15, 1953 — JAMES A. DULLEA, *Secretary*

Burroughs

214TH CONSECUTIVE CASH DIVIDEND

A dividend of twenty cents ($.20) a share has been declared upon the stock of BURROUGHS CORPORATION, payable September 10, 1953, to shareholders of record at the close of business August 14, 1953.

SHELDON F. HALL, *Vice President and Secretary*

Detroit, Mich. July 15, 1953

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 140 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable September 1, 1953, to stockholders of record at the close of business on August 5, 1953.

GERARD J. EGER, Secretary

Schering

A dividend of twenty-five cents ($0.25) per share has been declared payable August 20 to stockholders of record August 5, 1953.

The transfer records will not close. Bankers Trust Company of New York will mail the checks.

M. J. FOX, JR., *Treasurer*

SCHERING CORPORATION
Bloomfield, New Jersey

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY DIVIDEND NO. 30 DECLARED

Common Stock—30¢ per share

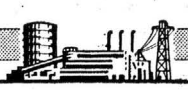
Payable August 15, 1953 to stockholders of record July 31, 1953.

R. GOULD MOREHEAD, *Treasurer*

July 20, 1953

Public Service Electric and Gas Company

NEWARK, N. J.



QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending September 30, 1953, all payable on or before September 30, 1953 to holders of record at the close of business on August 31, 1953.

GEORGE H. BLAKE, President

PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

SOUTH AMERICAN GOLD & PLATINUM COMPANY

61 Broadway, New York 6, N. Y.

July 13, 1953.

A dividend of ten (10¢) cents per share has been declared payable September 14, 1953, to stockholders of record at the close of business on August 19, 1953.

JOHN G. GREENBURGH, Treasurer.

TENNESSEE CORPORATION

61 Broadway, New York 6, N. Y.

July 15, 1953

A dividend of fifty (50¢) cents per share has been declared, payable September 24, 1953, to stockholders of record at the close of business September 10, 1953.

JOHN G. GREENBURGH, *Treasurer.*

THE SOUTHERN COMPANY
(INCORPORATED)

Directors of The Southern Company, at a meeting held on July 20, 1953, declared a quarterly dividend of 20 cents per share on the outstanding shares of common stock of the Company, payable on September 5, 1953 to holders of record at the close of business on August 3, 1953.

L. H. JAEGER, *Treasurer*
Birmingham, Alabama

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 58

A dividend of 35 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 14, 1953 to stockholders of record at the close of business on August 31, 1953.

H. D. McHENRY, Vice President and Secretary.

Dated: July 18, 1953.

Southern California Edison Company

DIVIDENDS

CUMULATIVE PREFERRED STOCK
4.08% SERIES
DIVIDEND NO. 14

CUMULATIVE PREFERRED STOCK
4.88% SERIES
DIVIDEND NO. 23

The Board of Directors has authorized the payment of the following quarterly dividends:

25½ cents per share on the Cumulative Preferred Stock, 4.08% Series;

30½ cents per share on the Cumulative Preferred Stock, 4.88% Series.

The above dividends are payable August 31, 1953, to stockholders of record August 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, August 31, 1953.*

P. C. HALE, *Treasurer*

July 17, 1953

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is now pending in the Senate Finance Committee a little noted bill which would achieve a practical return to the states of tax money and some appropriating power swiped by the Federal Government in the first New Deal.

When FDR's crew wanted to put across throughout the country a system of unemployment compensation on a state-by-state basis, they hit upon a neat stratagem. The stratagem was to enact a Federal unemployment payroll tax of 3%. However, if any state enacted a system of unemployment compensation with a state payroll tax of 2.7%, the Federal Government forgave, in effect, the 2.7% of the 3% payroll tax.

In other words, the law provided that unless a state enacted an unemployment compensation system of its own with an accompanying tax, the state's employers were taxed anyway. Naturally the states enacted their own systems.

The Federal Government, however, does still collect upon covered employers an unemployment tax of 0.3%. This is used to provide a fund out of which the Labor Department remits funds to the states for the payment of the administrative expenses of their unemployment compensation funds and state employment offices.

There were two features to this scheme which emphasized Federal authority over the states. In the first place the states did not as a matter of right get back the proportionate share of the 0.3% Federal tax levied for financing state administrative costs. The states were to a large degree at the mercy of the Labor Department, which had to approve state UC administrative expenses before remitting the funds.

The second Federalization feature was that up to date the U. S. Treasury has collected, according to official estimate, somewhere between $700 million and $1 billion more than it has handed back to the states.

The new bill politely omits any return to the states of the excess hundreds of millions already collected and spent by the Federal Treasury.

It does, however, provide that hereafter the states in one of two ways may make use of the money collected from within the state for the purpose of paying the costs of administering unemployment compensation.

First, the bill provides that a fund of $200 million is set up as a pool from which states may borrow sums when their own unemployment trust funds—deposited in the Treasury—run short. This $200 million kitty will be built up out of those sums by which the 0.3% Federal unemployment payroll tax exceeds the remittances back to the states for UC administration. There are strict safeguards upon these advances.

After this pool is built up—estimated to take three or four years—the states will have the option of (1) having this excess transferred to the account of the state jobless pay trust fund on deposit with the Federal Treasury, or (2) if the state legislature so votes, that excess can be called back to pay administrative expenses.

The emphasis is somewhat upon state rights. If a state legislature decides that it wants to expand the administrative costs of unemployment compensation and job placement offices, either for good or for bad reasons, the state legislature can so decide. Of if the state wants to build up its UC reserves it can do so.

This decision will be up to the state after the $200 million fund has been built up. "Mama" Labor Department thereafter will not be able to hold the purse strings tight and tell the states they must be good just because "Mama" says so.

The House already has passed this bill. Whether it will clear the Senate will probably depend upon whether there is time for this proposal in the rush to adjourn as near as possible to the end of this month.

Movie Tax Hangs on Delicate Balance

Whether the Senate will approve the action of the House in removing the admissions tax from moving picture houses hangs on a delicate balance.

It is reported that the sentiments of the majority of the Senate Finance Committee are for going along with the House on this matter. However, in the Senate there is no such thing as a closed rule which would prevent Senators from extending excise tax exemptions to other commodities or industries, or proposing other forms of tax relief.

So in all probability whether the admissions tax comes off the movies will depend upon a little private sounding out among the boys in the "House of Lords" to ascertain if everybody will be good boys and refrain from loading the movie tax relief with other forms of relief. As of this writing, key Senators simply did not have time to go around canvassing this prospect.

It is asserted by all parties that the easy sailing of the movie tax relief through the House, with the blessing of the GOP leadership, was not part of a deal to buy committee votes for the Excess Profits Tax extension. The action came spontaneously from the hearts of the members of the committee and the leadership, all of whom felt that with the movies taking the beating they are from TV, the industry ought to get tax relief.

Although the Administration fought, bled, and risked death for the "principle" that the EPT must be extended so as not to lose a dime's worth of revenues, this was rated as straight politics. What the Administration was after was to escape the charge—if EPT expired on statutory schedule June 30—that the Republicans allowed business tax relief before personal income tax relief, since the automatic statutory decrease in personal income tax rates will not come about until Jan. 1.

(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 understand he's the author of that book 'How to Pay Less Income Tax!'"

SEC To Review Procedure

Senate Banking and Currency Committee to sit in on all discussions pertaining to changes.

WASHINGTON, D. C. — Chairman Ralph H. Demmler of the SEC has initiated a project to review completely the procedures of the agency with a view to trying to simplify them and make them less difficult.

This news was unexpectedly revealed at a hearing on the proposed new Small Business Administration by Chairman Homer E. Capehart (R., Ind.) of the Senate Banking Committee.

A witness representing small business groups complained before the Committee that SEC's regulations were so tough that for raising something like three-quarters of a million of new money, the satisfying of SEC's requirements was costing the companies involved something like $54,000.

This stimulated Chairman Capehart to make this first public announcement of the project. William McKenna, a lawyer on the staff of the Senate Banking Committee, has been assigned to sit in on all the SEC discussions of how to change and improve its procedures and regulations.

Chairman Demmler, however, is not discussing the subject himself. It is understood that until the new Commissioners have familiarized themselves with their jobs, he felt it was inappropriate for him to comment publicly on this subject and, in effect, to commit them to a project even though it was a desirable one. The word had, however, been slipped to the Committee so that it would know what was going on, and be in a position to give cooperation if legislation were later sought. In the Senate, it is the Banking Committee which has jurisdiction over SEC matters.

The new Commissioners, rounding out SEC's full complement of these top policy-making officials, were sworn in near the end of last week. One of these was J. Sinclair Armstrong, a lawyer, from Chicago. The other was A. Jackson Goodwin, Jr., who immediately preceding his appointment, was a national banker in Anniston, Ala., but who had investment banking experience in the '30s.

Demmler Addresses Staff

Following the seating of the new Commissioners, Mr. Demmler called the SEC staff together and addressed them. He said that all SEC's "major premises" will be re-examined, but that is a project which, incidentally, should go on all the time. He said that the regulatory process should be kept abreast of the problems of today, not of yesterday.

If there are any cumbersome procedures, and if they are unsupported by statute, they must be eliminated, the Chairman declared.

It was indicated that in view of prospective budget cuts, SEC has no choice but to re-examine its procedures, to organize for maximum effectiveness, and to insist upon high grade work.

SEC Has Budget Trouble

President Truman recommended $6 million for SEC's administrative appropriations for fiscal '54. President Eisenhower cut this recommendation to $5.6 million. The House has approved $5,245,000 for SEC, and the Senate cut this to a flat $5 million. So the SEC will this year get somewhere between $5 million and $5,245,000.

The Budget Bureau has also called upon SEC for a further budget cut for fiscal '55, so that appropriations which will be made next year presumably will be reduced further.

A. R. Finchell Opens

MIAMI, Fla.—Dr. A. Richard Finchell is engaging in a securities business from offices in the Seybold Building.

Joins Merrill Lynch

(Special to The Financial Chronicle)

COLUMBUS, Ga. — James R. Noell is with Merrill Lynch, Pierce, Fenner & Beane, 101 12th Street.

With Hess Inv. Co.

(Special to The Financial Chronicle)

QUINCY, Ill.—Oscar Grow is with Hess Investment Company, Illinois State Bank Building.

Business Man's Bookshelf

Employment and Wages in the United States—W. S. Woytinsky and Associates — The Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—cloth —$7.50.

Regulations Issued by Switzerland Regarding Its Payments With Various Countries—sixth supplement—Bank for International Settlements, Basle, Switzerland—paper—Sw. francs 8 (original publication plus the six supplements, Sw. francs 56; complete work in two volumes, including regulations no longer in force, Sw. francs 75).

Should a Stock Exchange Member Firm Incorporate?—Proceedings of the Pace College Tax Forum—Leon O. Stock and Alex Schlaffer—Pace College, 41 Park Row, New York 38, N. Y.—paper —copies on request.