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EDITORIAL

As We See It

The Eisenhower Administration is now earnestly engaged in studying our tax structure with a view to complete renovation. It has very quickly become evident, as indeed could have been foretold, that virtually everyone regards taxes as they fall upon him either unjust or too high. The old saws about "ability to pay," the alleged advantages of steep progressiveness, the notion that the lower the tax rates the higher the revenues, and many more of the common superficialities on the subject are being bandied about again as always when this subject is under study.

The problems involved in devising equitable and wise taxes are difficult at best. They grow more difficult as the burden of taxation rises—until, as is the case today, it would burden the wisdom of Solomon to determine precisely the best course to follow. In view of all this and of the diversity and heat of the testimony offered in Washington on the subject, it is scarcely surprising that our lawmakers find themselves troubled and baffled. Evidently, thoughtful elements in the population with the good of the whole country at heart must exert themselves vigorously if the results of present deliberations are to be really constructive legislation.

There are certain elementary truths and certain basic principles which should, if carefully borne in mind, be helpful to public officials and legislators who face the task of reconstructing our present horrible tax system. First of all, let us not blink the naked fact that there can be no reduction in the total tax take if we are to recover a position of fundamental financial soundness at

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Essentials for Domestic and World Economic Recovery

By WALTER HARNISCHFEGER*
President, Harnischfeger Corporation
Milwaukee, Wisconsin

Asserting difficult task before us is recreation of free markets and restoration of the profit motive as stimulant in the international economy, Mr. Harnischfeger proposes as means of reestablishing sound international conditions: (1) a sound fiscal policy leading to restoration of the Gold Standard; (2) a sound, honest, consistent pro-American foreign policy; (3) elimination or curbing of socialistic legislation; (4) elimination of labor rackets and return of individual's right to work under conditions of his choice; and (5) reaffirmation of principle government is servant of people. Advocates flexible tariff system.

During the past 20 years, we have not been living in a normal free economy and many of our actions were dictated either by war or edicts coming out of Washington. In the meantime, we have had an election and one must hope there will be a change for the better. I will talk to you about free enterprise and foreign trade and, at the same time, will make a few remarks regarding my recent trip to Europe.

W. Harnischfeger

Frequent visits in Europe, over a period of 45 years, and a lifetime association with a highly cyclical business of heavy industry, have given me first-hand knowledge of the basic values of free enterprise and the problems of preserving it under rapidly changing conditions.

Free enterprise, of course, means the exercise of maximum individual initiative under minimum controls. Abundant production — increasing production under free enterprise requires the expansion of existing markets and the development of new markets

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*An address by Mr. Harnischfeger before the New York Board of Trade, New York City, Aug. 6, 1953.

A Study of Behavior of Low Priced Stock

By O. K. BURRELL
School of Business Administration
University of Oregon

Prof. Burrell surveys the evidence concerning the price behavior of low priced stocks, and applies tests to the conclusions reached in a number of studies published concerning this subject. Makes an analysis of three portfolios, and concludes: (1) investment timing is especially important in case of low priced stocks; (2) greater risk is incurred if investment is based merely on "low price"; and (3) large cash assets in relation to stock price is an important low-price stock safety factor.

That low priced stocks are more volatile pricewise than high priced stocks, but that this greater volatility is due not to the price level but to the fact that low priced stocks are more frequently marginal, is reasonably well established. Dr. Frederick R. Macaulay suggested in 1938 that stock prices in general tended to move equal increments on their square roots.[1] This is to say that the impetus required to move one stock from 100 to 110 would be sufficient to move another from 16 to 20, or 10% in the first case and 25% in the second. Harry D. Comer in two articles published in "Barron's"[2] verified the Macaulay square root principle using (in part) data published by Kenneth S. Van Strum.[3] Fritzemeir,[4] Szatrowski[5] and perhaps others have verified this general tendency. Indeed, the Fritzemeir study suggests that in bull markets low priced stocks go up relatively more than high priced stocks and do not lose this relative gain in the recessions that follow. This study covered the period 1926-1935.

O. K. Burrell

But these studies do not mean that low pricedness is

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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 30.

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.)

STANLEY HELLER

Partner, Stanley Heller & Co., N. Y. C., Members New York Stock Exchange and American Stock Exchange

National City Lines

My reasons for choosing **National City Lines** to review in this column are many, but obviously the most powerful one is that it is very much undervalued at its present price and should do substantially better than the market generally, in the months to come. Furthermore, although the stock is yielding over 8% at the present price of 17½, I believe it is extremely likely that the dividend may be increased in the near future.

Stanley Heller

The picture that unfolds after a study of the company's financial statement and properties is one of great promise. The management has done a magnificent job in reducing the debt, improving the equity position of the stockholders, and keeping expenses in bounds during a most trying period for the industry. Now the company should be in an excellent position to benefit from a period of stable or decreasing costs to which the present Administration in Washington is committed. Although it is generally agreed that the transit industry has been in a decline since 1940, it is difficult to argue that a company whose operating revenue has increased 453% and whose net before taxes has increased 253% in that period has not shown growth. Such is the record of **National City Lines** and its management.

National City Lines is a holding company for 42 wholly-owned subsidiaries operating in 14 states. In addition, it owns controlling interests in four companies which operate in the large metropolitan areas — San Francisco, Los Angeles, St. Louis and Baltimore. The market value of the company's investments in the four subsidiaries is today equivalent to about $15 a share of **National City Lines**, although the true (book) value is probably in excess of $23 a share. Thus it would seem that the present market price of **National City Lines** puts a low valuation on the 42 wholly-owned subsidiaries, which, during the year ended Dec. 31, 1952 showed a gross operating income of $30,-908,540, and a net operating income of $3,299,973 before Federal taxes. These companies serve a population of 4,150,000 people in communities scattered all over the nation, some of which are located at Tampa, Florida, Long Beach, California, Tulsa, Oklahoma, Spokane, Washington, El Paso, Texas, and Salt Lake City, Utah.

Many of the companies located in the Midwest, South and Far West were purchased at close to bankruptcy prices. Their operations should not suffer in a population movement away from large metropolitan areas. Thus **National City Lines** stock offers wide diversification in the nation's transit picture with participation in many profitable, low cost, operating companies.

Earnings which include only the dividends received from the affiliated companies, in addition to the profit of the wholly-owned subsidiaries, amounted to $1.86 per share in 1952 as compared to $1.91 in the previous year. For the six months ended June 30, 1953, the company reported that earnings amounted to $1.03 per share as compared to 78¢ in similar period of 1952. Recently the **National City Lines** jointly with the Los Angeles Transit Lines and St. Louis Public Service Co., organized the Transit Casualty Company, to write liability and property damage insurance for all the subsidiaries, as well as other restricted kinds of insurance. Although it is reported that the new insurance company has shown a profit in operations, no dividends have been paid. On Dec. 31, 1952 **National City Lines** had an equity of $2,643,077 in the undistributed profits of its affiliates. It is interesting to note that whereas two-thirds of the income reported in 1952 was derived from the wholly-owned subsidiaries, it is a foregone conclusion that the dividends received from the large metropolitan companies will be greater in 1953.

The Baltimore Transit Company, which has not paid a dividend in years, is now paying a dividend on its new preferred stock of which **National City Lines** owns over 67,000 shares. The Los Angeles Transit Company has increased its dividend rate in 1953 over 1952, and the other companies are expected to do at least as well as before. This trend of increased dividends from the affiliates is particularly important because such investment income is only subject to a tax rate of 7.8%. While still on the subject of earnings, it is interesting to note that many subsidiaries and affiliates have received permission in recent months to raise their fares. Although in most cases larger labor costs will take a major portion of the increase, some benefit to stockholders should accrue in the months ahead, especially if other operating costs should show a decline. In this connection the management must be commended for successfully maintaining profitable operations during the recent inflationary period, through scrupulous attention to costs and efficiency. Unprofitable routes have been abandoned, equipment improved, more efficient schedules prepared, and the number of employees reduced. The management has always registered a determined resistance to cost increases without a corresponding upward revision of fares.

That the present able management has confidence in the future of the company is evidenced by the large stock interests of the officers and directors. It has been the policy of the management to simplify the capital structure and to initiate a program of debt reduction not only for the parent company but also for the various subsidiary companies. This has sometimes entailed the disposing of unprofitable and unsound properties and keeping a sharp eye for acquiring other properties at bargain prices. The wisdom of these moves is shown by the constantly improved equity for the common stock.

A study of the balance sheet reveals how successfully the company has achieved its aims.

This Week's Forum Participants and Their Selections

National City Lines—Stanley Heller, Partner, Stanley Heller & Co., New York City. (Page 2)

Preston East Dome Mines—Henry P. Newell, Filor, Bullard & Smyth, New York City. (Page 2)

Since 1949, the company has entirely eliminated the 47,500 shares of preferred stock by purchase at favorable prices.

During the period Dec. 31, 1946 to Dec. 31, 1952, the parent company reduced its total debt from $11,769,110 to $8,863,775, while undistributed profits rose from $5,272,237 to $12,704,992. The figures which relate to the four large subsidiaries are even more impressive. Their combined debt which amounted to $70,759,323 on Dec. 31, 1940 had been pruned to $22,972,036 on Dec. 31, 1952, while undistributed profits climbed from $2,555,396 to $17,385,485.

The sole remaining capitalization consists of 1,415,000 shares $1 par common stock, out of the 2,000,000 shares authorized.

To summarize, I like **National City Lines** common stock, listed on the New York Stock Exchange, at the present time because of its astute management, high yield and good prospects.

HENRY P. NEWELL

Filor, Bullard & Smyth, N. Y. City Members New York Stock Exchange

Preston East Dome

The security I like best is Preston East Dome Mines, listed on the American Stock Exchange and currently selling near $3 per share. This Company's stability lies in its consistently profitable operations as a gold producer in Canada's famous Porcupine Mining District. Its great growth potential, however, is based on its large and exceedingly well-located holdings recently established along the north shore of Lake Huron in Western Ontario. Here a uranium discovery of major size and importance is being developed by Preston and associated companies.

Henry P. Newell

The history of Preston East Dome as a gold mine is outstanding, primarily because it has been able to maintain profits and dividends and at the same time increase ore reserves during the most critical period ever experienced by the gold mining industry. For the past decade profits of the industry have been squeezed between steadily mounting costs and the fixed price of gold.

Many mines have been forced to close. Nearly all have experienced a retrogressive profits trend. It is a tribute both to mine and management that for the past five year sthe Company has been able to report moderately rising operating profits and ore reserves that are not only steadily increasing in tonnage, but improving in grade. Proven ore reserves are now well in excess of half a million tons. Diamond drilling indicates that probable reserves are much higher. Preston is the type of mine which would be a prime beneficiary should there be an upward revision of the official gold price. Under more favor-

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What Others Say About an "Inside View of United Nations"

We are able to accommodate in today's issue some more of the communications received in connection with the views and opinions expressed by William A. Robertson, Member of the New York Bar, in the article "An Inside View of the United Nations" which appeared in the "Chronicle" of July 2. Other commentaries appeared in our issues of July 23, July 30 and August 6.

In the article Mr. Robertson 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.

Below are some of the remaining unpublished comments that have been received relative to the article. Others will be given in next week's issue.—EDITOR.

ALLAN P. KIRBY

President, Alleghany Corporation

A wide distribution of Mr. Robertson's article should be made because, in my opinion, it forthrightly explains in simple language the operation of the UN and the parts played by the various nations it consists of. In my opinion the American people as a whole are not well informed on the UN and the more the public is educated in regard to this organization the better. I do not see how this can be better accomplished than by, as I have already stated, wide distribution of "An Inside View of the United Nations."

Allan P. Kirby

ERNEST A. GROSS

Former Deputy Representative of the U. S. to United Nations, Gross and Hyde, N. Y. C.

It appears to me that Mr. Robertson's article opens with a serious mistake of fact and closes with a serious mistake of judgment. As to the grotesquely over-simplified remarks concerning the countries which the article mentions, I make no pretense to be a historian and therefore do not venture to make any comments.

Ernest A. Gross

The mistake of fact is that the members of the Security Council are, or have been, "governors of the world by virtue of their holding seats in the Security Council." The fact is just the opposite: the Council has not "governed" anything, it was never intended to do so and its actual purpose of maintaining peace and security has largely (but not entirely) been frustrated by the Soviet abuse of of the veto. The author of the article, because of his misunderstanding of the actual role and operations of the Council, deliberately omits from his discussion mention of the General Assembly, which has been assuming an ever-increasing role in international economic and security affairs.

The mistake of judgment with which the article ends is that unless we can look to the United Nations for "world administration or world government," we should not expect "anything at all" from the United Nations. (The author refers to the Security Council alone in this connection because of his erroneous assumption of the fact mentioned above.)

The framers of the United Nations Charter, and those statesmen whose policy remains to support it, have never made the mistake of expecting this or any other international organization to "govern" or "rule" anything. The United Nations does not exist apart from its members, and its members have all retained their individual sovereign equality.

In a torn and divided world the United Nations can, if used to that end by its members, perform many useful and necessary functions in all areas of international activity. The author of the article in question ignores such activities as the mediation which brought an end to large-scale hostilities in three disputes, the technical assistance program, the work of specialized agencies (World Health, Food and Agriculture, and 20 or more others).

One assumption the author makes is particularly unfortunate and wholly untrue. It is that the United States is "feared, but not respected or trusted." It seems to be considered by many people nowadays that the only real patriotism is to belittle our friends, deplore our own foreign policy and in the name of "hard headed

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A Shaft of Light On Soft Coal Mining

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A current look at a somewhat depressed industry, plus a slight outline of the values contained in the shares of the industry's leader, Pittsburgh Consolidation Coal Co.

the principal source of energy in the United States has been an erosive and progressive process. Whereas coal (bituminous and anthracite combined) accounted for 65% of our energy output in 1928, it now, 25 years later, amounts to only 38%; and, in the same period, combined use of oil and its alter ego, natural gas, has zoomed from 30% to about 58%. Further, while many oil shares have reaped for their holders a golden harvest in dividends and capital gains, the coal shareholder has had some rocky times. Not that there have not been some interesting speculative swings in ebony equities, for there have. In particular, the war period from 1941-46 saw some fancy market gains in coal shares with Pittston common rocketing from 9/16 to 29. But as a steady vehicle for dividend and market stability, coal stocks have not ranked highly. Industrial demands gunned up by war and postwar activity, racked up an all-time production high in 1947 of 631 million tons of soft coal. Last year this total slipped to 475 million tons thanks to 54 idle days during the steel strike; and first seven months' output for 1953 suggest a slightly lower total this year. In no sense is this industry booming.

Ira U. Cobleigh

Anti-Coal Factors

While it is easy to see how coal can prosper in war, it is equally easy to see why the industry has been having such rough times since 1947. First there was the shrinkage of the home and office heating market due to competition of gas and oil. Then the railroads, long-time stalwarts in soft coal consumption, steadily switched to diesels so that, today, I think the only major railroad deaf to the drone of the diesel siren is the Norfolk and Western. Unless a gas turbine type engine, capable of operating economically on powdered coal is perfected, the coal market for choo-choos looks like a steadily disappearing one. Yet, as recently as 1951, 35% of railway motive power was coal generated.

Decline in Exports

Another bearish element in our discussion is coal export. Almost 12% of the King size 1947 production total was exported to Europe; and exports continued heavy for the next four years, as various nations, particularly England, France and Germany, struggled to resume, and, if possible, to increase prewar coal outputs. Now these overseas mines are, most of them, in full blast and our export market for coal is a retrogressive one.

For purposes of clarity, let's make it plain that this piece is on soft coal, primarily because, on a volume basis, that's about 14 times as important as the other industrial segment, anthracite. Bituminous looms large in our heavy industry providing 65% of the fuel energy for our electric utilities and over 35% for manufacturing generally in chemical, cement and gas manufacturing plants, rolling mills, etc. The biggest of these non-utility outlets is in the production of coke, and the manufacture of steel.

High Labor Cost

There's just one more debit factor in our survey of coal that we missed above and that's labor. Coal miners have one of the highest wage scales in all heavy industry, and since, in the average mine, labor costs run between 55% and 60%, a twitch of the eye-brow of John L. Lewis can have a depressing influence on the net earnings of the entire industry. And, unfortunately, while soft coal in many cases has been able to compete price-wise with oil, coal strikes and possibility of plant shutdowns due to same, have caused thousands of users to switch to oil or gas. A 10-day enforced plant idleness would, in many cases, more than offset, in a year, the actual lower operating cost of soft coal.

Bituminous Coal Supply

About supply, however, bituminous coal is in a truly enviable position. Whereas Cassandra-like prophets in the oil trade say we have only enough U. S. petroleum reserves to last for 70 years (at present consumption rates), the experts figure we have sufficient commercially recoverable soft coal to last for over 1,000 years—about 620 billion tons, not counting a lower order combustible in the bituminous family, lignite.

So, in a few brisk paragraphs, having recounted the slippages in the solid carbon trade, and duly recorded the factors responsible for decline in demand, let's see if we can't find some credit items on the ledger—some points of logic which may suggest that certain coal shares, albeit soggy performers in our current markets, may have some basic values not adequately reflected in today's quotations. Certain it is that the coal industry is far too vital in our economy to disappear from view. There are even new users on the horizon. For example, the new Atomic Energy plant near Joppa, Ill., will require vast electric power, power fueled by millions of tons of soft coal. The making of synthetic fuels from coal-hydrogenation—has been extensively researched and while the process has not yet proved commercially practical, some new technique may be introduced that can revitalize the whole industry. And, of course, all the while mechanization of mines is nibbling away at production costs. Right now we produce far more coal per man than any other nation—7¼ tons a day. Mechanical cleaning and sorting methods increase quality and uniformity of product.

Pittsburgh Consolidation Coal Co.

With this petit panorama of soft coal as a background, let's take a look at the biggest and most successful producer in the field, Pittsburgh Consolidation Coal Co., formed by merger in 1945. It mined 26.3 million tons last year from 32 deep mines and nine strip mines spread over some 255,000 acres of stratified subsoil in Pennsylvania, Ohio, Kentucky and West Virginia.

The thing that stands out about PBM over most of the companies in the business is progressiveness. For instance, the management has been impressed by the high transportation costs of coal deliveries so it has been perfecting a pipeline to pump and transport a fluid mixture of water and coal. This idea may, some day, save a lot of money on deliveries to utilities. Further, since 1945, over $50 million has been spent by the company for mine mechanization, and the building of mechanical preparation plants. As a result, efficiency has been stepped up significantly and production per man is over 50% greater than the average for the entire industry. Right now the figure is about 10.4 tons per day per man. In a trade where wage rates are so high, this increased efficiency (up from 7½ tons a day in 1946) is noteworthy.

Management and control are regarded as big plus factors in Pittsburgh Consolidation. M. A. Hanna Company owns a 35% interest in the company. The President, George Love, is a distinguished and far sighted executive; and the Board Chairman, until this year, was George Humphrey, appointed in January by President Eisenhower, as Secretary of the Treasury.

Company's Finances Strong

Financial position of PBM is a thing of beauty. At the 1952 year end, working capital was $86.5 million, or roughly $40 a share; and a book value was just under $80. Capitalization is quite simple, consisting of $12,970,000 in long-term debt and 2,156,000 common shares listed on N.Y.S.E. and now quoted at 47. The regular dividend rate has been $3.00 as against 1952 per share net of $7.20 (including 34c capital gain on property sales).

For this year, first quarter results were $1.37 per share, and current operations give no indication that the present $3 dividend rate is in any jeopardy. At 47¼ PBM yields 6.3%, and the shares are within 1¼ points of their 1952-53 lows. High during this period was 63.

Some encouragement to the would-be coal stock buyer might be found in the sustained pace of our industrial activity, and the fact that recently the price of #6 fuel oil on the Eastern Seaboard has been increased 15c a barrel. This is roughly equivalent to a 60c a ton boost in the price of coal. This places coal in an obviously stronger competitive position.

Larger Earnings Possible

Whereas, by no stretch of the available facts, could soft coal be cited as a booming industry, certain current factors are not unfavorable, and some analysts feel that the better coal equities have been sufficiently beaten down in the market. In the specific case of PBM, it would appear that quality management, enterprise and research in improving production efficiency, and in developing new uses, chemical and otherwise, for coal and its by-products, should provide some hope for larger future earning power. For those seeking solid balance sheet position, few industrials display a more impressive current ratio, and the present stock yield of over 6% gives some tangible immediate reward to those who buy with a view to long-term growth. Incidentally, PBM has a contract to provide half of the fuel requirements of the new power plant at Portsmouth, Ohio, to serve the Atomic Energy Commission. Deliveries there are to begin in 1954.

Some Other Companies

For those seeking broader representation in soft coal, why not look at some of the smaller units as well? Pittston Co., Pond Creek, West Kentucky, Truax Traer and United Electric Coal may present some quite uninflated values, if you examine them. In any event, if market success lies in the search for unpopular or neglected issues, soft coal shares give you a field for exploration. And PBM is probably the best in the field.

THE MARKET . . . AND YOU

By WALLACE STREETE

External matters such as Russian claims to the H-bomb and weakness in the commodity markets couldn't upset the summer calm of the stock market. While individual issues derived mild comfort or chagrin from the earnings statements, the list generally wandered around aimlessly this week. If the procedure was one of whittling away at the overhead congestion preparatory to a resumption of the summer advance, it was being done without leaving any telltale traces around.

* * *

A complicating factor was that a rather long list of leaders sold without their dividends during the week, giving a general appearance of easiness that wasn't altogether valid. Most of the technical devices suggested underlying strength which bolstered the majority view that additional progress is in store before Fall. These were all somewhat blunted, however, by the lack of decisive volume which is a condition that has persisted for something like two months now. Pickups in breadth and volume on days of declines were roughly the same as on days of strength, effectively canceling each other out.

* * *

Emphasizing the investment nature of the market was the fact that the bellwethers that went ex-dividend showed little disposition to "make up" their payments subsequently. In fact, it was far more general for the issues to sell off once the payments were assured. And on the few occasions when investors were willing to "reach" for an issue, such as the flurry in DuPont that carried it to an all-time high this week, there was enough profit-taking around to prevent any follow-through to the strength.

* * *

Utilities Quietly Higher

Utilities continued to work higher in a quiet way, reflecting to a large extent their recent popularity with institutional investors. Measured by the averages, they are now back to the levels that prevailed last May. If there was anything ominous on this concentration in so-called "defensive" issues, it wasn't apparent in other sections of the list. The fact that the news favored the group also helped minimize any of the conclusions that could be drawn from a retreat to a defensive section of the market.

* * *

Indications that the Federal Power Commission had revised its thinking on what constituted adequate returns for the natural gas companies brought the group to the fore early in the week. Where rate decisions in the past were geared to a return between 5½ and 6%, the latest seems to indicate an acceptable rate now of 6¼%. The ruling that started the fanfare was on a Columbia Gas subsidiary, United Fuel Gas. It cleared up some uncertainty on rates that has been hanging over the industry for a couple of years.

As a matter of fact, the heralded "natural gas era" promised once World War II was out of the way has been a long time developing and is still far short of even the conservative goals predicted for

Continued on page 8

The State of Trade and Industry

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

A slight advance occurred in industrial output for the nation as a whole in the period ended on Wednesday of last week as manufacturing activity in many lines continued to show recovery from the vacation doldrums.

Increases in production from a year ago amounting to more than 10% were frequent in the basic industries. Employment held close to record levels and unemployment remained unusually low.

Electric output in the United States two weeks ago set another new high at 8,511,622,000 kilowatt hours. That was over 51,000,000 kwh. above the previous record chalked up in the preceding week. It was 14.9% greater than in the like 1952 period. Every area reported sizable increases over a year ago. The sharpest gain took place in the Southeast where hot weather and rising industrial activity pushed power output 22.5% above the 1952 level.

Steel producers, for the first time in years, are more optimistic than most of their customers, "The Iron Age," national metalworking weekly, states this week. They know they are catching up with their market; some of them believe they can see a little daylight between productive capacity and prospective business toward the end of the year. But they aren't worried about it. Some of their customers apparently are, declares this trade authority.

The fact is, steel supply and demand are so close to balance that a firm market can no longer be taken for granted. "Little" things like rate of new orders, backlogs and cancellations haven't meant much for many months. But now they will bear watching as sensitive indicators of things to come in the steel business, it adds.

The market is definitely moving into a fluid condition with major products no longer uniformly tight. And relative tightness between products is subject to quick change as result of the ebb and flow of customer orders. From now on the market will be shifting from week to week, and it continues, steel buying policies of consumers are due for a major overhaul.

There are indications that is beginning to happen, reports "The Iron Age." Some steel producers have the impression that top brass is holding buying in check—at least temporarily. As a result, fourth quarter order books which had first started to fill rapidly still show plently of room for business. Steel people aren't worried about this—yet, since they regard it as nothing more than a pause for inventory adjustment. But they'll feel better when fourth quarter books are full of orders believed firm, this trade paper states.

There has been a smattering of cutbacks from Detroit, but they probably are not yet as significant as they have been made out to be. So far they have resulted chiefly from changes in defense programs or production schedules of independent auto makers. They have been felt most in alloy steels. In carbon steel they have been more then offset by continued strength from other sources, notes this trade journal.

In evaluating automotive steel demand, don't be misled by spot weaknesses, particularly among the independents. Altogether, they make up only slightly more than 10% of the market. So don't look for more than a moderate decline here—unless the big companies run into sales trouble, "The Iron Age" points out.

The nation's output of goods and services reached a record annual rate of $372,000,000,000 in the second quarter, the United States Department of Commerce currently reports.

This was a $10,000,000,000 boost over the market value of the first quarter rate and a $24,000,000,000 increase, at annual rates, over the 1952 level of $348,000,000,000.

The nation's output is measured in terms of the gross national product. The $372,000,000,000 second-quarter gross national product, according to Federal officials, means the economy is continuing to boom along at near-capacity levels.

Inventories held by manufacturing, wholesale and retail firms at the end of June, the Commerce Department further reports, were valued at $77,300,000,000, up $4,800,000,000 from a year earlier. After allowance for seasonal variations, business stocks increased about $2,800,000,000 in the first half of 1953. In the like 1952 period, a reduction of $1,200,000,000 took place.

Commenting on the figures, department officials noted that June sales of these firms were $5,300,000,000 above June, 1952. They declared there's no "immediate danger" in the inventory position as long as sales stay high. But, they added, "the situation bears watching. We can't continue to pile up inventories at this rate without drastic production cutbacks resulting some time in the future."

Auto output last week was expected to rise, although not to the high rate of four months ago, states "Ward's Automotive Reports."

Booming production by General Motors and Ford, plus output resumptions by some Chrysler, Packard and Hudson plants, likely will reverse the previous week's trend when total output fell 14%. Reasons for the dip were many and varied, but in no case did manufacturers blame any sales slowdown, this agency notes.

Production fell in the preceding week because most Chrysler Corp. plants were down for one week of inventory; Packard was down for inventory tally; Hudson was closed for 1954 model changeover; Nash was down for its fifth straight week for vacations and inventory balancing; and Kaiser was closed for a combination of reasons.

Continued on page 25

The Equity Share in France

By A. WILFRED MAY

The Second of Two Articles on Investment in France, the Data for Which Were Collated There Recently by the Author

Common Stocks vs. Inflation

The price record of French securities, particularly over the long-term, has implications important to the American investor. France's constant and extreme monetary depreciation makes the French market a useful laboratory for studying the serviceability of the equity share.

A. Wilfred May

In a study of data going back to 1856, we have previously shown (cf. *French Investor's Squeeze by Inflation—A Warning!* in the *"Chronicle"* June 28, 1951) that common stock prices have been largely governed by other forces than monetary distrust, and that over shorter-term intervals inflation-hedging stock buyers have all too frequently been severely whipsawed.

Bringing the stock-versus-inflation record up-to-date, we find that from Jan. 1, 1950, to the beginning of July, 1953, the index of industrial shares (*Statistique Generale de France Index of 290 Industrial Shares,* 1938 being 100) has advanced from 1100 to 1780. During the same interval the cost of living index rose from 1910 to 2550. Thus, in this particular period shares provided a good medium for preserving one's capital, their rise of 62% considerably outstripping the concurrent 34% hike in the cost of living.

The Trickiness of Timing

But, illustrating the importance of the period selected: the French citizen putting his money into the equity market at the beginning of 1939 would, on buying the average, have enjoyed an advance of but 22% to compensate for a rise of 46% in his cost of living. During the Korean-outbreak year of 1950 shares registered an actual net **decline** of 9% against a rise in living costs of 9%. Similarly, during the entire interval from 1939 to date the net rise in the cost of living has considerably outrun the increase in the advance of the "hedging" shares—25-fold against 17-fold.

And during the preceding interval from the beginning of the First World War to the outbreak of World War II (1914-1939) we find a markedly unsatisfactory hedge-performance contributed by share investment. This is demonstrated in the accompanying chart.

Subsequently, it was not until March, 1941 ('midst the circumstances attending another war) that share prices re-attained their previous 1929 peak.

"Un-American" Reactions to War and Peace

Also of interest to the American investor is the French market's behavior during recent war-scare and peace-scare eras. The Korean war outbreak was followed by little decisive reaction of any kind. From the 1100 level at January, 1950, the stock price average declined somewhat and hovered around the 1000 level until May, 1951, when the advent of a conservative government touched off a major advance. This rise amounted to 50%, attaining the 1500 level by the beginning of 1952.

Likewise contrary to the U. S. market, has been the French investor's reaction to peace-anticipating events — even through Little and Big Switches. Standing at about 1500 at the end of May, 1952, the market first rose to and than oscillated around the 1600 level until the beginning of this year, since which time it has risen to almost the 1800 level. The threat of peace as a saboteur of the economy is in the French investor's outlook more than counterbalanced by its constructive attributes, in affording the nation the opportunity to effect the sorely-needed rebuilding of its consumption economy (as, for example, in the area of oil, road building, communications, railroad equipment, etc.), which has been kept submerged at an extraordinary low level since the war.

* * *

Thus, in the French laboratory we see that many pitfalls surround the citizen's attempt to hedge against inflation through the instrumentality of the common stock: including the difficulties of timing, of correctly interpreting external factors as inflationary or deflationary, and (as we demonstrated in our article of last week) of selecting the well-valued individual issues.

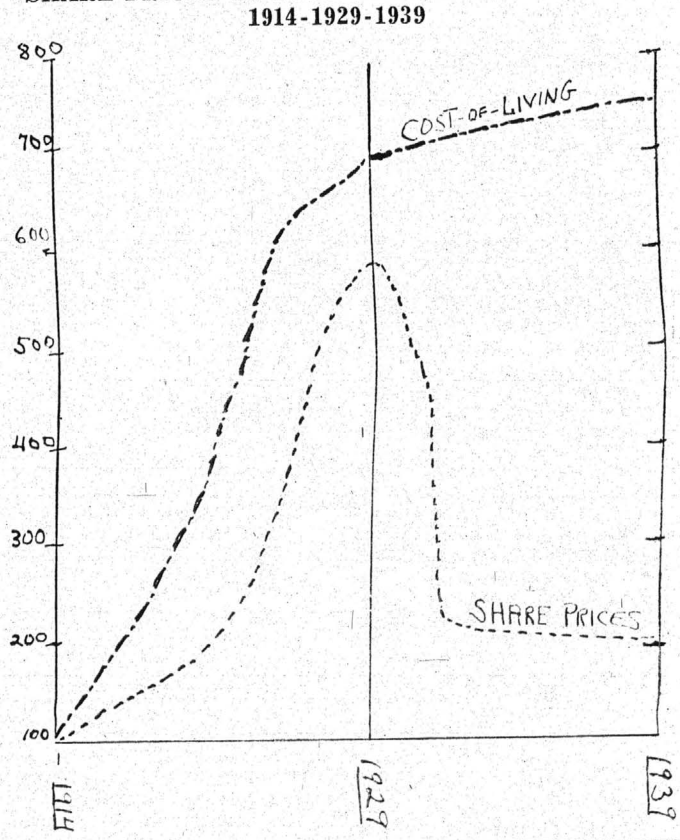
* * *

Emergence of "Prudent Man-ism"

Of more constructive and lasting benefit to the capital value of the French equity share, is its increasing legitimization as substantiated by its growing adoption by pension funds and institutional investors. Under the law, pension funds are permitted to place up to one-third of their assets in common stocks; and they are doing this, sometimes being run as investment companies.

Investment companies of the publicly-held open-end variety there are none. There is at present only one closed-end unit, a Pan-American holding company with 500 shareholders, and (as in the U. S.) selling at a 30-40% discount from asset value. This country's embarkation on the fund movement, keyed to the legitimacy of equity investment, seems to be only a matter of time.

SHARE PRICES vs. COST-OF-LIVING IN FRANCE: 1914-1929-1939



Impact of Development Costs On Oil Company Earnings

By JOHN H. MYERS
Associate Professor of Business Statistics
School of Commerce, Northwestern University

Prof. Myers describes the varying methods of treatment in the accounts of development costs of major oil companies, and the impact of each method on the published net earnings. Points out effect of Federal income tax allowances covering intangible development costs and the influence on year to year earnings of fluctuations in rate of drilling and other similar activities.

Last of two articles on U. S. oil company operations in the Eastern Hemisphere.

All of the large domestic oil companies in the United States are engaged in exploration for and production of oil. Among the integrated operators the proportion of their activity devoted to this phase of the business varies. For this reason, even if all companies are to have the same management ability, earnings per share of common stock for the different companies will fluctuate differently from year to year depending on the relative profitability of the different branches of the business. Even more important, however, is the fact that there are two radically different methods of accounting for one of the important producing department expenditures: intangible development costs. Loosely speaking these are the costs of drilling a well which cannot be recovered if the hole should prove dry, such as labor, purchased service, wear of drilling bits, etc.

J. H. Myers

All of the companies consider these costs as an expense if the hole proves dry and all of the companies add the cost to the producing department property account if the hole proves to have oil or gas. Most of the companies then charge this cost from the property account to expense over a period of time as the oil or gas is withdrawn. However, Continental Oil Co. and Shell Oil Co. transfer the entire intangible development costs from the property accounts to expense at once. This method is permitted for income tax purposes and is generally used in determining taxable net income for, when coupled with the 27½% depletion allowance, it gives a lower income tax. By following the practice that they do, Continental and Shell will always have their property stated at a lower value than if they had followed the more widely used method. Also the aggregate expense reported on the income statements over the years will be larger. However, since it is the annual figure for earnings per share that is so important in determining a stock price, the major consideration here is the effect upon net earnings in a specific year of this difference in method of handling intangible development costs.

Basically, once the company has built up its backlog of proved wells, it would seem that the depletion expense applicable to producing from the developed holes would about equal the cost of drilling the new holes necessary to maintain the supply of developed reserves. If that were the case Shell's and Continental's earnings in any year would be comparable with those of the rest of the industry. Several factors, however, operate to overcome this basic equality. Year by year the average cost of a well is increasing, partly due to increasing costs of labor and equipment and partly due to increased well depths and other factors associated with the using up of the easy-to-find resources. As oil consumption increased in the United States all of the companies have grown and there has had to be an increase in the number of wells drilled in order to keep a certain number of years ahead of consumption. These two factors of increased cost and of growth will tend, in each year, to keep the intangible development costs incurred larger than the depletion of these costs as oil is produced. This would tend at all times to make the reported net income of Continental and Shell less than it would be were they to follow the accounting policy adopted by the other companies.

Overshadowing the effect of the long run tendencies is the fact that the intensity of the drilling activity varies from year to year at the discretion of the management of the company. The intensity of the fluctuation in the drilling program is certain to be more violent than fluctuations in the producing program, as shown in the accompanying graph. If Continental or Shell were to cease all drilling activity in a given year even though producing and other activities continued at a level rate, there would be a large reduction in expense and a resulting rise in net income. This cessation of all drilling activity is unlikely but is only an extreme of something that very well might happen. If there should be a slump in sales of refined products, it is probable that production of crude would decline, especially with such rigid control as is exercised by the State of Texas. Because many of the out-of-pocket costs are relatively fixed, the operating companies operating in this state might well feel a pinch on cash resources and curtail their drilling programs. Depletion and amortization of intangible development costs would probably decline about in line with sales for most of the companies. However, in Continental and Shell the intangible development costs would decline in line with drilling activity which would supposedly be more severe. The anomaly might develop that when sales drop off Continental and Shell show more profit—all the result of "tricks" played by accounting techniques.

On the accompanying graph, drawn with ratio scale set at different levels, a ten-year history has been shown for five major oil companies: Continental and Shell which "expense" their intangible development costs and Standard Oil Co. (Indiana), Standard Oil Co. (Ohio) and Phillips Petroleum which do not. For each company the solid line represents expenses, the dashed line the quantity of oil produced, and the dotted line the number of producing holes drilled. In spite of the inability to get comparable figures for expense and in spite of other complicating factors, it is clear how expenses for Continental and Shell tend to follow the dotted line, whereas those for Standard Indiana, Sohio and Phillips tend to follow the dashed line.

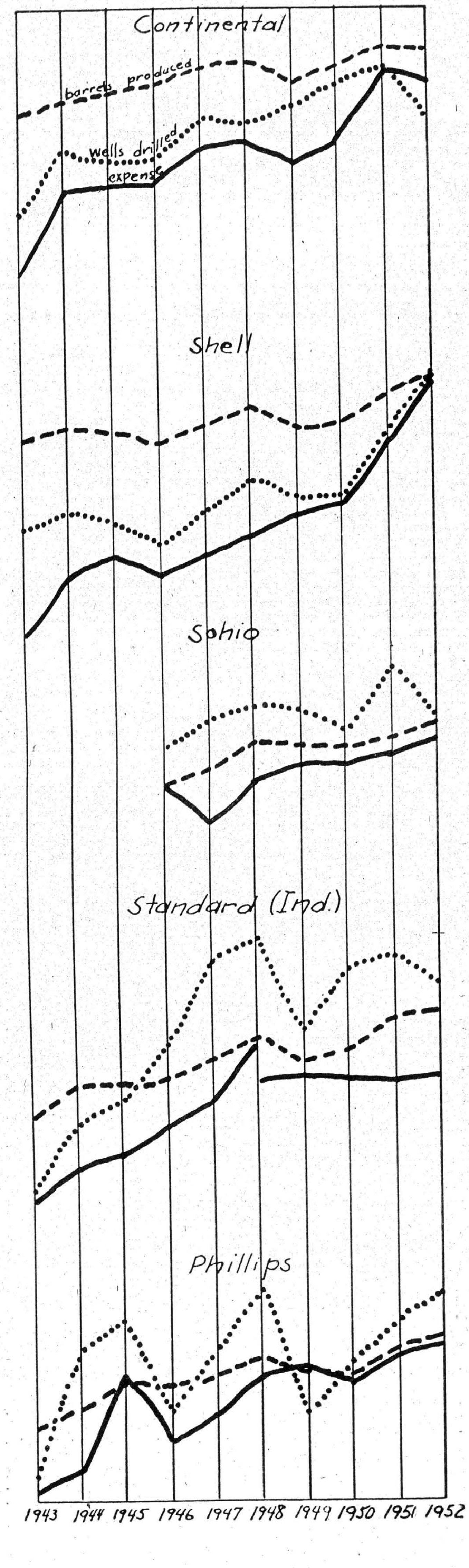
All of the figures for these graphs were obtained from the company's annual reports or from Moody's. Both Continental and Shell show the intangible development costs as such, but other companies do not show separately the amortization of intangible development costs. Therefore, it was necessary on four of the companies to combine figures to reach an aggregate approximating what Standard Indiana labeled as "depletion, amortization of drilling and development costs and loss on retirements and abandonments." (In earlier years the aggregate was made up differently, thus accounting for the discontinuity in this company's line.) The figures for the various companies were as follows: Continental, (1) intangible development costs, (2) surrendered leases, and (3) depletion (includes depletion on wells purchased); Shell (1) amortization of intangible development costs and (2) depletion, amortization and surrenders of oil land and leases; Phillips, (1) depletion of intangible development costs and (2) depletion and amortization of leases; Sohio, (1) depletion of oil producing properties, (2) nonproductive wells, lease rentals and other exploration expense, and (3) surrendered and abandoned oil leases.

The figure of ultimate interest to the investor is net profit available to the common stockholder. If these intangible development costs were insignificant, the different accounting treatment given to them would be of no importance. However, in 1952 these costs for Continental were 77% as great as the reported net income after taxes. In Shell the figure was 79%. The expense aggregate used on the graphs were for 1952 as follows: for Continental, 89% as great as net income after taxes; for Shell, 90%; for Phillips, 33%; for Standard Indiana, 31%; and for Sohio, 84%. No particular inference should be drawn from the fact that two of the ratios are much lower than the others. It may be that the expenses for Phillips and Standard, Indiana, combined are not as inclusive as for the others. Phillips' included expenses were only $38,000 per well and Standard Indiana's $60,000 per well, whereas in the other three companies the included expenses were near $125,000 per well.

One of the unusual features of the Federal income tax law as it applies to oil companies is the permission to deduct intangible development costs in arriving at net income subject to tax whether or not the deduction is made for other reporting purposes. Thus in years of large drilling activity the income tax will be smaller, other things being equal. Continental and Shell will have their pretax net income, as reported to stockholders, reduced and the tax will also be reduced. However, in such years of high drilling activity the pretax net income of other companies will not be reduced, but taxes will be. Therefore, in years of heavy drilling activity the after-tax net income of the majority of the companies tends to get an extra boost because of different methods of computing income for stockholders and for tax purposes.

The Texas Co. and the Freeport Sulphur Co. (in respect to its oil operations) have recognized the distortion that can result from reporting intangible development costs one way for tax purposes and another way for corporate purposes. Apparently they do not wish to follow Continental's and Shell's practice of amortizing all intangible development costs at once. Nor do they want to forego the tax advantage of immediate amortization. Therefore in 1951 for Texas and 1952 for Freeport they adopted a policy of computing amortization based on estimated life of the well as do most other companies and of adding to that an extra amortization equal to the saving in Federal income taxes caused by using the other basis for tax purposes. Supposedly in periods of slack drilling activity when taxes will be higher, this extra amortization will be a negative figure. The net effect of this is to show net income at the amount it would be if the company computed amorti-

PRODUCTION AND DRILLING ACTIVITY EXPENSES FOR DEPLETION, AMORTIZATION AND ABANDONMENTS, 1943-1952



zation on the regular basis and paid taxes on that same basis.

Since the intangible development costs are so large in comparison to net profit and since companies account for them differently for corporate purposes but the same way for tax computations, the after-tax net profit of the companies must be considered in light of these fundamental differences. That of Continental and Shell, which charge the intangible development costs to expense at once, will tend always to be smaller than that of other companies. When drilling activity is increasing, Continental and Shell will tend to have their net profit decreased even more. However, all other companies, except the Texas Co., will be having their profit lifted because of the difference between corporate and tax accounting. The opposite will, of course, be true when drilling activity is reduced.

EDITOR'S NOTE—Foregoing is the second of two articles by Mr. Myers concerning U. S. oil company operations in the Eastern Hemisphere. The first article appeared in the "Chronicle" of Aug. 6.

Money Market Prospects

By G. WALTER WOODWORTH*

Professor of Finance, University of Michigan

Prof. Woodworth reviews the last two decades of the money market, stressing the developments since the Treasury-Federal Reserve accord of March, 1951. In regard to the interest rate outlook, concludes that private, State and local credit demands are likely to remain at present record levels during remainder of year, and, together with Federal Government borrowing, will lead to credit demands that will exceed flow of personal or corporate savings.

Any discussion of the current money market situation can well be prefaced by a look backward. For more than two decades we have lived with artificially low interest rates, created largely by monetary and debt management policies. It is easy, therefore, as we emerge into the atmosphere of a freer money market, partially to lose perspective. The fact is that, despite a substantial rise in rates during the past two years, there is no historical parallel to such low rates during a business boom. Permit me to cite a few statistics by way of illustration.

G. W. Woodworth

Historical Summary

During the 40-year period, 1890-1929, the lowest monthly rate on open market commercial paper (prime, 4 to 6 months) was 3.13% in the fall of 1924; the next lowest was 3.550% in the first quarter of 1916. Both were periods of business recession or depression. This compares with the current 2.75% during a seething boom. In the prosperity period, 1928-1929, the commercial paper rate ranged between 4% and 6.25%; in 1920 it reached 8.13%; in 1913, 6.66%; in 1907, 7.33%; in 1899, 7.38%; in 1896, 9.10%; and in 1893, 10.14%.

A similar relationship of current to past bond yields exists, although of course the range of fluctuation is not so wide. Moody's AAA bonds currently yield 3.26%. This compares with a range of 4.46% to 4.80% in 1928-1929, and to 5.75%-6.38% in 1920.[1] We have to go back to 1899 to find bond yields as low as current yields.

Thus, even with a generous allowance for a declining secular trend of interest rates they are now very low for a period of great prosperity.

From their peak in 1929 bond yields began a long decline that carried to the lows of the first quarter of 1946—2.46% on AAA corporates and 2.08% on government long-terms. Short-term rates reached their lows in 1939-1941, after which they stiffened slightly and held a shade higher level into 1946. (Commercial paper lows were ½%-⅝%; Treasury bills ranged 0%-¼%.)

Without going into detail, the heavy decline in rates during the 1930's resulted from factors of both demand and supply. The demand for credit very nearly dried up during the depression years. On the other hand, the supply of loanable funds as reflected by excess legal reserves of commercial (member) banks rose to record proportions, reaching nearly $7 billion in 1940. This was mainly a consequence of the tremendous increase in the gold stock, first under the stimulus of raising the Treasury price of gold to $35 an ounce and later from enlarged foreign demands for American goods in connection with World War II.

Monetary management policies during the 1930's may be characterized in general as extremely easy and inflationary. Member bank reserve requirements were doubled, it is true, in 1936-1937, thereby reducing excess reserves about $3 billion. But even so the member bank reserve position was never placed under real pressure. Excess reserves never declined below $750 million, and member bank borrowing at the Federal Reserve banks remained nominal in amount. The discount rate of the Federal Reserve Bank of New York was lowered in February, 1934, from 2% to 1½%, and again in August, 1937 to 1%. Also, the Federal Open Market Committee showed no disposition to tighten the reserve situation by the sale of United States securities.

During the war interest rates were pegged by the Federal Reserve so that the yield on Treasury bills could not rise above ⅜% and yields on long-term Treasury bonds above 2½%. The Federal Open Market Committee stood ready to purchase all U. S. securities offered at yields above this low rate pattern. Since long- and intermediate-term U. S. securities offered a higher yield and were as liquid as Treasury bills, commercial banks held the former and the bills mostly gravitated to the Reserve banks. The unwisdom of supporting such a rate pattern was clear in 1945 and the first quarter of 1946 when yields on long-term U. S. securities dropped to 2.08%. Demand for them was large because of their artificial liquidity and the huge amount of wartime savings. Also, few new corporate and municipal issues or real estate mortgages were available to compete with governments.

Uptrend of Rates Since Mid-1946

In the second quarter of 1946 there began a strong uptrend of interest rates which with minor interruptions has carried through to the present time (July, 1953). During the first half of 1953 the rise of intermediate- and long-term yields gained such momentum that it exceeded all past records, barring periods of great crisis. What factors have been responsible for these developments?

The root cause has been the unprecedented demands for both long-term and short-term credit to finance the great postwar boom. Total business and consumer debt approximately doubled in the seven year period Dec. 31, 1945, to Dec. 31, 1952. Loans of all insured commercial banks rose from $25.8 billion to $63.6 billion; mortgage debt on 1- to 4-family houses from $18.5 billion to $58.2 billion; consumer credit from $5.7 billion to $25.7 billion.[2] Loan expansion has continued apace in 1953, especially in real estate and consumer categories.

Viewing the money market from the supply side, the policy of the monetary authorities was in general an inflationary one until the Federal Reserve-Treasury Accord in March, 1951. Supporting the price of United States securities at about par was deemed more important than preserving the value of the dollar. Artificial and excessive liquidity was by this means conveyed not only to commercial banks but also to life insurance companies, savings banks, and all other owners of marketable Governments. These institutions were able to make all desirable loans simply by selling their Governments.

Several anti-inflationary gestures, it is true, were made by the Reserve authorities during this period. The Reserve Bank discount rate was raised by steps from 1% in 1946 to 1¾% in 1950. But the latter rate was in no sense a "penalty" rate, especially since member bank borrowing was nominal. Also, the legal reserve requirements of member banks were raised in September, 1948, to the highest percentages on record.[3] But again this step achieved little by way of tightening credit in the presence of the bond support program. Member banks simply sold enough United States securities to the Reserve Banks (directly or indirectly) to repair their reserve position. Their average excess reserves exceeded borrowing from the Reserve Banks by about $450 million during the last quarter of 1948.

Under these conditions long-term bond yields rose very modestly — Governments from a monthly average of 2.19% in 1946 to 2.32% in 1950, and Moody's AAA's from 2.53% to 2.62%. A contributing factor to the increase in yields was the relatively small volume of personal savings in these years.

The course of short-term rates during this period is another story. Treasury bills were pegged at the artificially low level of ⅜% during the war and until mid-1947 when the peg was removed. The rate jumped immediately, reaching 1% by January, 1948, and 1.4% by March, 1951, under freer market conditions. When the bill rate was pegged at ⅜% the Reserve Banks held most of the outstanding bills — $14.4 billion in June, 1947. With the rise of the bill rate, the market (mainly commercial banks and non-financial corporations) absorbed the bulk of them, so that by the end of February, 1951, the Reserve Banks held only $1.5 billion.

Since Treasury bills were a special case, it is of interest to inquire what happened to other rates in the short-term market. Between mid-year 1947 and March, 1951, the commercial paper rate doubled—from 1% to 2%—and bankers' acceptances followed suit—from 0.81% to 1.63%.

The Money Market Since the Treasury - Federal Reserve Accord, March, 1951

A momentous event in the financial world occurred on March 4, 1951, when the Treasury-Federal Reserve accord was announced as follows:

"The Treasury and the Federal Reserve System have reached full accord with respect to debt management and monetary policies to be pursued in furthering their common purpose to assure the successful financing of the Government's requirements and, at the same time, to minimize monetization of the public debt."

During and since the war, it will be recalled, the Federal Reserve was almost completely subservient to the desires of the Treasury to borrow at low rates and to maintain stable prices of Government securities. The prevention of commodity price inflation and other monetary objectives were temporarily submerged. At long last and after a hard struggle, the Reserve authorities were to be given a greater measure of independence in their domain of monetary management. A stable dollar was recognized as being more important than stable Government security prices and a somewhat higher interest cost of the Federal debt. While the Federal Reserve could not ignore the Treasury's problems of huge refundings and the borrowing of new money, it was to be primarily responsible for conditions in the money market. The Treasury was henceforth to accept these conditions even if it meant higher interest costs.

With less support from the Federal Reserve, yields on Government securities rose between 0.2% and 0.3% by May and with minor changes held this new level until mid-year, 1952. Part of the rise was a result of the lessened liquidity attaching to Governments. The Reserve authorities gave the Treasury some support at periods of refundings and met the enlarged reserve needs of commer-

Continued on page 13

*Talk given by Prof. Woodworth at meeting of the Detroit Analysts Society, Detroit, Mich. July 29, 1953.

1 Source of rates quoted: Board of Governors of the Federal Reserve System, Banking and Monetary Statistics.

2 "Federal Reserve Bulletin," June, 1953.

3 Central reserve cities, 26% of net demand deposits; reserve cities, 22%; country banks 16%; time deposits, 7½%. Reserve requirements were raised about $2 billion.

W. C. Jackson, Jr., Gov. Of Texas IBA Group

SAN ANTONIO, Texas—At a meeting of the Executive Committee of the Texas Group of the Investment Bankers Association of America, W. C. (Decker) Jackson, Jr., President of First Southwest Co., Investment Bankers, Dallas, Texas, was elected Governor of the I.B.A. He will take office at the close of the Association's 1953 Annual Convention which will be held Nov. 29-Dec. 4 in Hollywood, Fla.

W. C. Jackson, Jr.

Mr. Jackson served as Chairman of the Texas Group I.B.A. in 1940 and has been a member of the Municipal Securities Committee, Texas Group, since 1946 and its Chairman since 1948. In addition, for the past three years, he has been a member of the National I.B.A. Municipal Securities Committee, the Municipal Division Council, and a member of the Special Committee on Revenue Bonds.

Mr. Jackson also is President and a director of Jackson and Company, the Port Telephone Company and the Antelope Oil Corporation.

Joseph Klein & Co. To Be Formed in N. Y.

Joseph Klein & Co., members of the New York Stock Exchange, will be formed Sept. 1, with offices at 120 Broadway, New York City. Partners are Joseph Klein, member of the Exchange, and Martin Berkowitz, general partners, and Benjamin Levin and Claire Crisona, limited partners. Mr. Klein was formerly a partner in Berk, Greenberger & Co. and prior thereto in Faroll & Company.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Harold H. Emch, Jr. has become associated with Cruttenden & Co., First Wisconsin National Bank Building. He was formerly with Blair, Rollins & Co., Inc., and Brew Emch Jenkins Co.

Dealer-Broker Investment Recommendations & Literature

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

Aluminum Industry—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Chemical Fibre Industry in Japan—Analysis in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 1, 1-chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan (New York office 61 Broadway, New York 6, N. Y.). Also in the same issue are analyses of the **Electrical Machinery Manufacturing Companies** and **Gas Manufacturing Industry.**

Dividend Outlook for Japanese companies—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Income Stocks—Brief analyses of **Greyhound Corporation, Melville Shoe Corporation, Mississippi River Fuel Corp., North American Aviation, Inc., St. Joseph Light & Power Co.,** and **United Fruit Company** — Thomson & McKinnon, 11 Wall Street, 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.

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.

Public Utility Common Stocks—Folder published first of each month covering 185 electric and gas utilities—price monthly, single copy, $2.00; ten copies, $5.00 (additional copies 10 cents each)—C. A. Turner, 327 South La Salle Street, Chicago 4, Ill.

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

* * *

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

Atomic Instrument Company—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Bullard Company—Analysis—Jones, Kreeger & Hewitt, 1625 Eye Street, N. W., Washington 6, D. C.

Central of Georgia Railway — Analysis — Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building, Savannah, Ga.

Central Public Utility Corp.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Chicago, Rock Island & Pacific Railroad Company vs. Illinois Central Railroad Company—A comparison (bulletin No. 139)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are an analysis of **Railroad Earnings** (Bulletinn No. 138) and memoranda on **Minnesota Mining & Manufacturing Co.** and **Piasecki Helicopter Corp.**

Continental Can—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dobbs Houses, Inc.—Memorandum—Mid-South Securities Co., First National Bank Building, Memphis 3, Tenn.

Foremost Dairies—Up-to-date report—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Guardian Chemical Corporation—Bulletin—Batkin & Co., 30 Broad Street, New York 4, N. Y.

Home Insurance Company — 100-year accumulative record — White & Company, Mississippi Valley Building, St. Louis 1, Mo.

International Cellucotton Products Co.—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are analyses of **Kellogg Company, Oswego Falls Corporation, Rainbow Oil Limited, Red Owl Stores, Inc., Safway Steel Products, Inc.,** and **Smith Engineering Works.**

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

Kerr Addison Gold Mines, Ltd.—Memorandum—Mills, Spence & Co., 25 King Street, West, Toronto, Ont., Canada.

Mississippi Valley Barge Line Co.—Memorandum—Central Republic Co., 209 South La Salle Street, Chicago 4, Ill.

National Vulcanized Fibre Company—Bulletin—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

New Jersey Natural Gas Co.—Report—H. A. Riecke & Co., Inc., 1519 Walnut Street, Philadelphia 2, Pa.

Newport Steel Corp.—Memorandum—B. C. Christopher & Co., Board of Trade Building, Kansas City 6, Mo.

Pacific Power & Light Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Prairie Oil Royalties Company, Ltd.—Progress report—Prairie Oil Royalties Company, Ltd., 80 Richard Street, West, Toronto 1, Ont., Canada.

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

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Standard Fruit & Steamship Corp. (and subsidiary companies)—Analysis—T. J. Feibleman & Company, Richard Building Arcade, New Orleans 12, La.

Struthers Wells Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Warren Petroleum Corp.—Memorandum——Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Westpan Hydrocarbon Co.—Bulletin—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y.

Continued from page 4

The Market . . . And You

it, at least as far as stock market action is concerned.

Progress in Food Stores

A group that has been making some steady progress by way of a change in investment thinking is the food stores group. Not that there has been anything spectacular about it, however. American Stores and Safeway have been belles of the group, appearing with fair regularity on the lists of new highs. Considerable pessimism persists over the larger department stores, such as Best & Co., Gimbel Bros. and R. H. Macy, most market analysts advising their sale on strength because their technical patterns continue unfavorable.

* * *

Coppers were the erratic issues of the week, slumping with the drop in the price of the red metal in world markets and recovering in a reluctant way when the price firmed up. Even good earnings for Phelps-Dodge, which showed a half year net of $1.86 against $1.73 despite the troubles the industry has experienced, couldn't keep the stock from posting a new low for the year before it steadied. Kennecott seemed to have better recuperative powers than the rest while Cerro de Pasco's sad earnings report, a 66-cent profit against $4.42, kept it one of the casualties of the section.

* * *

Monthly Dividend Payers

Emerging from obscurity, by virtue of a new high price for the year, was Wm. Wrigley, one of the stalwarts of the market year in and year out. This issue has the additional distinction of being one of the few companies that pay dividends on a monthly basis, the outstanding other listed one being American Home Products. This odd group has a couple of new recruits, Winn & Lovett and Clinton Foods. Apart from the issues listed locally, a few others have a similar policy including Dominiguez Oil Fields, Avondale Mills, Basin Oil, Lock Joint Pipe and Republic National Bank of Dallas, mostly counter issues.

* * *

A couple of firms pay on a bi-monthly basis including Bush Terminal and American News, although the latter, after reporting poor earnings, has been under something of a cloud as well as one of the repeaters on the list of daily new lows.

* * *

Rails continued to keep their followers confused, appearing on occasion to be about to take over leadership and spark an extension of the summer rally. But then they peter out without accomplishing anything decisive. The traditional "summer" stocks—soft drinks and air conditioning—similarly have been largely a disappointment although Carrier has been acting well.

* * *

Farm equipments continue to feature the persistently heavy side, a long downward pull confirmed with the commodity weakness of this week interpreted as meaning that much less spending money for the farmers, consequently that much less available for equipment purchases. Minneapolis-Moline was a softer issue of the week, sliding into new low territory since 1950 after showing a reluctance earlier to following the group downhill. Sugars were similarly unpopular, no less than half a dozen of the Cuban producers selling on a 10% or better yield basis; an indication of even more skepticism over their outlook than that peculiar to the farm equipments.

* * *

Western Union, helped by good earnings, continued to make limited progress and also featured in an undue share of the attention. The lines are rather sharply drawn over the issue, one school holding that the business is potentially as obsolete as that of harness making, while the opposite school stoutly maintains WU is on its way to becoming the blue chip of this generation. The stock, while doing well, has offered little in the way of clues as to which school of thought is to be right eventually.

* * *

Shortening Temper

As an outgrowth of the doldrums, tempers were noticeably short both as the result of the surprise defeat of a higher commission schedule for the brokers and also on a not-too-easily supported notion that all the bearish talk is keeping investors out of the market. Market letter writers who ventured to predict another downturn, or to cull out issues with bleak market futures, found the criticism somewhat heavier and lots more shrill. Wall Street obviously is impatient with its own personal depression.

[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.]

A. C. Allyn & Co. Opens Branch in Grand Rapids

GRAND RAPIDS, Mich.—A. C. Allyn and Company, Incorporated announces the opening of an office in the Grand Rapids National Bank Building, with Herbert F. Johnson and Leon M. Kelhofer as Registered Representatives. Mr. Kelhofer was formerly with White, Noble & Co.

COMING EVENTS

In Investment Field

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. 15, 1953 (Omaha, Neb.)
Nebraska Investment Bankers Association of Omaha and Lincoln annual bond party at the Omaha Country Club. A cocktail party will precede Sept. 14.

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.

Sept. 22, 1953 (San Antonio, Tex.)
Investment Women of San Antonio annual dinner meeting in the Tapestry Room, St. Anthony Hotel.

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.

From Washington Ahead of the News

By CARLISLE BARGERON

It is a most surprising thing to this correspondent and to several of his colleagues, but it is a fact, that there is no apparent appreciation anywhere for President Eisenhower's having brought the war in Korea to an end, at least temporarily. We did not expect that there would be any hallelujahs in the streets or any Victory Parades. Certainly there would be no justification for the latter.

Carlisle Bargeron

But we did think there would be a universal sigh of relief that the bloodshed of a fiasco had been stopped, and thinking in terms of politics as we do here in Washington, there was the feeling that this would be a tremendous feather in Mr. Eisenhower's cap. He hadn't yet balanced the budget as he said he would do; he hadn't yet cut taxes. Instead he had raised them. Republican Senators and members of the House had been feeling very glum.

There had been the feeling, however, among the so-called Washington political experts that if Eisenhower accomplished one thing, bring the war in Korea to an end, the Democrats would have one helluva time getting the Republicans out of office, not only next year but for some years to come. Everything else would be forgotten; failure to reduce taxes, failure to do this and that. There would be an overwhelming gratitude in the public mind for just one thing.

It may possibly be that there is this gratitude. But it isn't being reflected in reports which we correspondents receive from around the country, or in the mail to Congressmen.

Instead, a vast indignation is being reflected. We are used to victories. There is no victory here and there seems to be a tremendous feeling of disappointment if not bitterness that we did not attain this victory, and quite a strong feeling, in contrast to one of appreciation, against Eisenhower for having brought about this end of the war without victory.

He is the one who stopped it, the people seem to think, according to reports which Washington correspondents are receiving and according to the mail of Congressmen. He is the one responsible for our coming out of a major enterprise without being able to dictate the terms.

The belief that we had no business in Korea in the first place, which was widely prevalent under Truman; the fact that all Eisenhower did was to get us out of an impossible stalemate which had its day-to-day casualties—there seems not to be this understanding in the public mind. Instead of what he has done being a political asset, it seemingly has become a political liability.

We let the Reds off the hook, so to speak, when we could have gone on to the Yalu River and bended them to their knees. Assuming this is true, the man who didn't do it obviously was Truman. But according to the public reaction which we are getting here, there is little or no feeling against the former President. He is not now the President; the man who compounded the sins of the situation, seemingly, is the incumbent. Eisenhower and his advisers may well ask themselves if what the people wanted was for him to make an all-out attack—and win regardless of its costs.

They may also be baffled over the reaction they are getting in the light of the fact that one of Eisenhower's strongest appeals for election was his promise to go out to Korea, which was widely interpreted as a promise to bring the Korean War to an end. I, along with most commentators, thought this to be one of the smartest aspects of his campaign. And the Democrats thought so too, because they attacked it almost hysterically as demagoguery. Former President Truman described it as a political low.

But when Mr. Eisenhower won the Presidency, he went out to Korea in a most dramatic way. And then came the armistice which he wrought. The reaction has been such that he would apparently just as soon not talk about it and the Republicans generally are sitting on their hands.

Undoubtedly, an important factor in the reaction which he is getting is the horror tales being recited by the returning prisoners of war. This naturally burns the American people up, this and the fact that the Communists have killed or are holding thousands of American prisoners.

The whole thing is humiliating; of that there is no doubt. But this humiliation is not the responsibility of Eisenhower. He brought it to an end. His alternative would have been to go after an indisputable victory which meant quite likely the dropping of atomic bombs. He and his advisers and also this writer, didn't think the American people wanted this.

What is important for the future is that the President, and the Congress, getting the reaction they are getting, will conclude that a victorious war with atomic bombs and whatever else is necessary, is what the people want. And if there is any break-down of the armistice negotiations that is what the enemy will likely get.

With Hamilton Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert F. Carr, Richard R. Osborne and Edward R. Hibben, Jr. have been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Three With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alfred J. Pozzo, Eugene J. Smith and Edwin P. Wegner have become associated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Mutual Funds and Employee Stock Purchase

By NATHAN BELFER

Department of Economics, Penn State College
Member, Advisory Board, Investors Planning Corporation

Prof. Belfer lists reasons for adoption by corporations of stock purchase plans, and indicates recent revival of interest in this movement. Points out, though stock purchase plans for rank and file employees are an important way of getting workers to become interested in concerns employing them, exclusive purchase of shares of only one company violates investment principal of diversification. Suggests stock purchase plans take form of investment in mutual fund shares.

For some time corporations have recognized the desirability of giving employees a stake in the business which employs them. This has led many managements to institute stock purchase plans for rank and file employees. There appears to be four main reasons for the adoption of employee stock purchase plans. First, it is hoped that if workers also are stockholders they will feel like partners in the business and will have greater interest in the job and increased devotion to the company. The worker-stockholder will be interested in raising efficiency and decreasing costs in order to raise the company's profits and his dividends. Second, stock purchase plans are a way to give workers a stake in the free enterprise system. This has renewed significance in view of the drift toward state ownership of industry in many other countries. Workers who are stockholders are more likely to support the private enterprise system and resist the drift toward state ownership.

Nathan Belfer

Third, stock purchase plans in which the stock is paid for through periodic payroll deductions are an important way of encouraging employee thrift. Workers with a financial nest egg are more secure contented workers, they are less likely to desire radical reforms. Psychologists have pointed out that security is a general all-pervasive thing. The insecure worker is likely to be frustrated and aggressive, the factory is a place where he can express his antagonisms and insecurities — creating numerous problems for management. The financially secure worker is more likely to be the contented worker on the job. Furthermore employee stock purchase plans enable a worker to build for his retirement. In recent years the problem of retirement benefits has become increasingly important in labor - management relations. Through systematic stock purchases an employee can build toward his own retirement and thus relieve the tensions that frequently arise in labor-management over the retirement problem. Fourth, the dividends received from purchased stock are a form of extra income for the worker. In periods of inflation this may be important in enabling the worker to maintain his accustomed standard of living. Additional dividend income will also be of great importance for the retired worker as a hedge against inflation. Through a stock purchase plan employees will have part of their retirement income tied to common stocks which will increase should inflation continue. A fifth but minor reason for the adoption of stock purchase plans is that they are a means for a company to obtain additional working capital. This possibility, however, has been utilized almost entirely by public utilities. Stock purchases plans are also a form of good public relations for the company and may lead to a decline in costly labor turnover. Unions incidentally have usually not opposed the introduction of a stock purchase plan for rank and file workers.

In the 1920's there was considerable interest in making stockholders out of rank and file employees. This was associated with the feverish stock speculation of that era. Employee stock purchase plans were set up by many companies. The National Industrial Conference Board has estimated that in 1928 over a million wage and salaried employees had purchased over a billion dollars worth of securities in the companies which employed them.

The crash of 1929 was quite disillusioning. Workers found themselves committed to making payments on stock which had suffered great losses in price. Frequently the amount they still owed on the stock was greater than the market price. Furthermore many workers also lost their jobs and were in no position to continue payments on the stock purchase plan. Relations between employers and employees became quite strained in such cases. Many companies were forced to repurchase shares at the price the employees had paid for them or to reduce the worker's financial commitments. It was an unpleasant experience for both

Continued on page 24

NSTA Notes

The Nominating Committee of the National Security Traders Association, composed of H. Russell Hastings, Chairman, S. R. Livingstone, Crouse & Co., Detroit; William J. Burke, Jr., May & Gannon, Inc., Boston; Robert D. Diehl, Paine, Webber, Jackson &

Phillip J. Clark

John W. Bunn

Lex Jolley

John M. Hudson

Lawrence S. Pulliam

Curtis, Los Angeles; Earl Hagensieker, Reinholdt & Gardner, St. Louis; F. Boice Miller, B. J. Van Ingen & Co., Inc., Miami; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., New York; Lester J. Thorsen, Glore, Forgan & Co., Chicago, have submitted the following candidates for office of NSTA for 1954:

President—Phillip J. Clark, Amos C. Sudler & Co., Denver.

First Vice-President—John W. Bunn, Stifel, Nicolaus & Company, Inc., St. Louis.

Second Vice-President—Lex Jolley, The Robinson Humphrey Company, Inc., Atlanta.

Secretary—John M. Hudson, Thayer, Baker & Co., Philadelphia.

Treasurer—Lawrence S. Pulliam, Weeden & Co., Los Angeles.

NATIONAL SECURITY DEALERS ASSOCIATION
1953 — CONVENTION

The following "early bird" registrations have been made for the NSTA Convention at Sun Valley:

Individual	Firm	City
Edward R. Adams	*Clement A. Evans & Company, Inc.*	Atlanta, Ga.
*Harry L. Arnold	*Goldman, Sachs & Co.*	New York
Dan V. Bailey	*Foster & Marshall*	Portland, Ore.
*Homer J. Bateman	*Pacific Northwest Company*	Seattle, Wash.
Edwin L. Beck	*Commercial & Financial Chronicle*	New York
*Carrol M. Bennett	*Dallas Rupe & Son*	Dallas, Texas
Peter Brochu	*Allen & Company*	New York
John W. Bunn	*Stifel, Nicolaus & Company, Inc.*	St. Louis, Mo.
H. Frank Burkholder	*Equitable Securities Corporation*	Nashville, Tenn.
William F. Christopher	*R. W. Pressprich & Co.*	New York
*Phillip J. Clark	*Amos C. Sudler & Co.*	Denver, Colo.
*John W. Clarke	*John W. Clarke, Incorporated*	Chicago, Ill.
*A. Gordon Crockett	*Crockett & Co.*	Houston, Texas
George W. Cunningham	*George W. Cunningham & Co.*	Westfield, N. J.
*James B. Dean	*J. W. Tindall & Company*	Atlanta, Ga.
George Dedrick	*Joseph McManus & Co.*	New York
Ralph C. Deppe	*Edward D. Jones & Co.*	St. Louis, Mo.
*Leo J. Doyle	*Doyle, O'Connor & Co.*	Chicago, Ill.
J. Robert Doyle	*Doyle, O'Connor & Co.*	Chicago, Ill.
George H. Earnest	*Fewel & Co.*	Los Angeles, Cal.
John F. Egan	*First California Company Incorporated*	San Francisco, Cal.
George J. Elder	*Straus, Blosser & McDowell*	Detroit, Mich.
J. F. Finnegan	*Hannaford & Talbot*	San Francisco, Cal.
John Carl Fuerbacher	*Walter, Woody & Heimerdinger*	Cincinnati, Ohio
Louis A. Gibbs	*Laird, Bissell & Meeds*	New York
Chester M. Glass, Jr.	*William R. Staats & Co.*	Los Angeles, Cal.
Charles E. Harkins	*Blyth & Co., Inc.*	San Francisco, Cal.
Arthur Hatz	*Arnold & S. Bleichroeder, Inc.*	New York
John C. Hecht	*Dempsey-Tegeler & Co.*	Los Angeles, Cal.
John G. Heimerdinger	*Walter, Woody & Heimerdinger*	Cincinnati, Ohio
Houston Hill, Jr.	*J. S. Strauss & Co.*	San Francisco, Cal.
George V. Hunt	*McLaughlin, Reuss & Co.*	New York
Milton J. Isaacs	*Straus, Blosser & McDowell*	Chicago, Ill.
Winton A. Jackson	*First Southwest Company*	Dallas, Texas
Roy V. Jackson	*First National Bank in Dallas*	Dallas, Texas
James F. Jacques	*First Southwest Company*	Dallas, Texas
Wilbur E. Johnson, Jr.	*Johnson & Johnson*	Pittsburgh, Pa.
Wilbur E. Johnson, Sr.	*Johnson & Johnson*	Pittsburgh, Pa.
James E. Jones	*Courts & Co.*	Atlanta, Ga.
*Arthur J. Keenan	*St. Denis J. Villere & Co.*	New Orleans, La.
Bernard F. Kennedy	*Bosworth, Sullivan & Company, Inc.*	Denver, Colo.
Albert Payne Kibbe	*A. P. Kibbe & Co.*	Salt Lake City, Utah
Martin I. King	*Sutro Bros. & Co.*	New York
*Wilbur Krisam	*Geyer & Co. Incorporated*	New York
John Latshaw	*Uhlmann & Lashaw*	Kansas City, Mo.
Alonzo H. Lee	*Sterne, Agee & Leach*	Birmingham, Ala.
Martin J. Long	*The First Cleveland Corporation*	Cleveland, Ohio
*Edwin J. Markham	*Wertheim & Co.*	New York
Justis C. Martin	*The Robinson-Humphrey Company, Inc.*	Atlanta, Ga.
*Walter G. Mason	*Scott, Horner & Mason, Inc.*	Lynchburg, Va.
Miss Anne E. Mason	*Scott, Horner & Mason, Inc.*	Lynchburg, Va.
*John F. McLaughlin	*McLaughlin, Reuss & Co.*	New York
*Joseph V. McManus	*Joseph McManus & Co.*	New York
*John J. Meyers, Jr.	*Gordon Graves & Co.*	New York
*Cyril M. Murphy	*John C. Legg & Company*	New York
*Harry L. Nelson	*Blyth & Co., Inc.*	Chicago, Ill.
William Nelson, II	*Clark, Landstreet & Kirkpatrick, Inc.*	Nashville, Tenn.
*Henry Oetjen	*McGinnis & Company*	New York
Edward J. O'Rourke	*Goldman, Sachs & Co.*	New York
*H. Sheldon Parker	*Kay, Richards & Co.*	Pittsburgh, Pa.
*Edward E. Parsons, Jr.	*Parsons & Co., Inc.*	Cleveland, Ohio
*William T. Patten, Jr.	*Blyth & Co., Inc.*	Seattle, Wash.
*Josef C. Phillips	*Pacific Northwest Company*	Seattle, Wash.
*Preston L. Phipps	*E. M. Adams & Co.*	Portland, Ore.
*Robert W. Pitt	*Blyth & Co., Inc.*	Portland, Ore.
*Lawrence S. Pulliam	*Weeden & Co.*	Los Angeles, Cal.
L. Brooks Ragen	*Foster & Marshall*	Portland, Ore.
*Harry F. Reed	*Dallas Rupe & Son*	Dallas, Texas
*Robert W. Reis	*Seasongood & Mayer*	Cincinnati, Ohio
*Sidney J. Sanders	*Foster & Marshall*	Seattle, Wash.
*Walter F. Saunders	*The Dominion Securities Corporation*	New York
Irwin Schloss	*Goldman, Sachs & Co.*	New York
Eliot H. Sharp	*Investment Dealers' Digest*	New York
*Daniel M. Sheehan, Jr.	*Sheehan & Co.*	Boston, Mass.
*William G. Simpson	*H. M. Byllesby and Company, Inc.*	Pittsburgh, Pa.
*James M. Stewart	*Wilson, Johnson & Higgins*	San Francisco, Cal.
Jerome F. Tegeler	*Dempsey-Tegeler & Co.*	St. Louis, Mo.
*Edward V. Vallely	*John Nuveen & Co.*	Chicago, Ill.
*Nieland B. Van Arsdale	*Blyth & Co., Inc.*	Los Angeles, Cal.
*Thompson M. Wakeley	*A. C. Allyn and Company, Incorporated*	Chicago, Ill.
*Graham Walker	*Joseph McManus & Company*	New York
*Richard H. Walsh	*Newhard, Cook & Co.*	St. Louis, Mo.
Henry C. Welsh, Jr.	*Lilley & Co.*	Philadelphia, Pa.
Frank C. White	*National Quotation Bureau*	San Francisco, Cal.
*Eugene F. Willis	*J. W. Tindall & Company*	Atlanta, Ga.
*William J. Zimmerman	*Bingham, Walter & Hurry, Inc.*	Los Angeles, Cal.
John J. Zollinger, Jr.	*Scharff & Jones, Inc.*	New Orleans, La.

*Denotes Mr. and Mrs.

K. I. M.

Sales are clinched, contracts signed, ideas formulated and friends made at the Convention.

AD LIBBING

We now have in hand contracts from dealer-brokers for advertising in our Year-Book Convention issue of the "Chronicle" totaling $13,000.

Next week I would like to have the opportunity of reporting in this column just how much we already have in hand in the way of contracts that have been obtained from corporations outside the stock and bond business and would appreciate affiliate Chairmen advising me of contracts of this nature they have already consummated.

Harold B. Smith

Jim Duffy continues to inform us of the concentrated campaign our Boston affiliate has been waging and I would like to encourage other Chairmen to consult with Jim in order to exchange ideas.

Joe Minetree, *Steiner, Rouse & Co.*, New Orleans, tells us that returning after his vacation and a short illness he hopes to assist the committee to send in new contracts for the deep South.

I may have a surprise for you next week.

Bear in mind that the *orange* contract form is for dealers and brokers and the *yellow* contract for commercial ads.

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

PROPOSE SUN VALLEY BOWLING TOURNEY

With Six Bowling Alleys available at Sun Valley, the Convention Committee has decided that a Bowling Tournament will be of interest. If sufficient members from cities indicate that an inter-city Tournament is desirable, this will be done. If insufficient, bowling will be done on an individual basis. It will be necessary in any event to establish handicaps and prizes will be awarded on a "most pins of average" basis. While a limited number of bowling shoes will be available, it is suggested you bring your own. Elmer Hammell of Taylor & Co., 105 South La Salle Street, Chicago, will be in charge of this event and it is suggested that he be contacted for any further information.

Gerard Jobin Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Duane T. Henderson is now associated with Gerard R. Jobin Investments Ltd., 242 Beach Drive, North.

New Beer Branch

BATON ROUGE, La.—Beer & Company have opened a branch office at 234 Third Street under the direction of George Herlitz.

With B. J. Van Ingen

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph G. Foley has become affiliated with B. J. Van Ingen & Co., Inc., du Pont Building.

Joins McClure Staff

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Hall T. Capers has joined the staff of Louis C. McClure & Co., 615 Madison St.

McGrath Securities Offers Petaca Mining Shares at $3 a Unit

McGrath Securities Corp., of New York City, is offering "as a speculation" 99,800 shares of six-cent cumulative preferred stock (par 50 cents) and 199,600 shares of common stock (par 10 cents) of Petaca Mining Corp. in units of one share of preferred stock and two shares of common stock at $3 per unit.

The preferred stock will carry six cents per annum cumulative dividends commencing June 1, 1954 and will be callable at $1.10 per share plus accrued dividends.

The net proceeds of the sale will be applied by the company for the purchase of milling and concentrating equipment, including the requisite mining equipment, and to an addition to working capital and will, in general, be utilized further to explore, and to exploit by further workings, the company's mining claims, and to expand the capacity of the initial mil.

Petaca Mining Corp. was incorporated in Delaware, May 29, 1953. Its principal offices are located at 3000 Cerrillos Road, Santa Fe, N. M., and its principal place of business is located at the mill site near la Petaca, Rio Arriba County, N. M.

St. Michael's College Foundation, Inc., (a non-profit educational, religious and charitable corporation), caused the Petaca company to be organized and to issue 900,000 shares of its common stock in exchange for 22 mining claims and a site for the separation mill located in Petaca region of Rio Ariba County, N. M. The claims were assigned by, and the company's stock issued to Petaca Minerals Corp. of New Mexico, substantially all of whose stock is owned by the Foundation.

The immediate activity of the company will be to develop the properties and install a mill designed to process daily an estimated 100 tons of pegmatite ores on these claims, primarily the separation of the minerals, the grinding of mica and the concentration of columbite-tantalite, beryl, monazite, etc.

Walter E. Devlin With A. W. Morris & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Walter E. Devlin has become associated with A. W. Morris & Co., 9680 Santa Monica Boulevard, members of the New York and Los Angeles Stock Exchanges. Mr. Devlin was formerly an officer of First California Company, Incorporated.

With John A. Dawson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Samuel F. Schmidt is now with John A. Dawson & Co., 1 North La Salle Street, members of the Midwest Stock Exchange.

Four With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — James R. Bogan, Herbert A. Herrmann, Richard K. Larson, and Howard J. Sickert have become connected with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Joins Beecroft, Cole

(Special to THE FINANCIAL CHRONICLE)

TOPEKA, Kans.—Jack Dillard has become associated with Beecroft, Cole & Co., 117 West Sixth Street, members of the Midwest Stock Exchange. He was formerly with Commerce Trust Company of Kansas City, Mo.

A Monetary Standard Can Be Maintained on a National Basis

By JOSEPH MOSBY HORNOR

Holding a nation can maintain a sound monetary standard regardless of adverse conditions abroad or at home, Mr. Hornor cites examples of communities and nations using sound money without awaiting stable world conditions. Points out England's solitary monetary policies benefited for 220 years not only England, but the civilized world. Concludes orderly international commerce is dependent on a monetary standard internationally acceptable, but this does not require multilateral international action.

A widespread present-day idea is that the gold standard must be international to function properly. Sound money generally, according to proponents of this idea, must be the universal exchange media before a gold standard can be maintained.

J. M. Hornor

The growing idea can be met by certain historic facts. These facts show that in the past such States as did maintain monetary standards instituted their efforts without, as advocated by those who would delay, awaiting improvements in foreign and in domestic government policies on spending, credit, prices, etc. A State which was only partially successful, while it may have been annoyed by these inferior policies, did not refrain from continuing its effort because of them. The effort itself involves maintaining the integrity of the coin and of all promises to pay such coin, a thing which has been accomplished in the face of defective and costly domestic policies as to providing a standard of money. Nor did the maintenance of a coin of integrity ever fail solely because of poor policies employed by other countries. It is true that when our country reduced the weight of its standard monetary unit in 1934, this action adversely affected the monetary policies of other States, but the repudiation of obligations by other States had not so much as slightly justified our repudiation in 1933, which, like our action of a year later, was reprehensible.

By maintaining monetary standards, certain States of the rather distant past made monetary stability for themselves surpassing that of those communities which did not maintain monetary standards. In later times, some communities had the benefits to be expected from partial success in this direction. One, England, was wholly successful for the hundred years ending in 1914. For the hundred years ending in 1797 England tried unsuccessfully to maintain a monetary standard, but, fortunately, this effort involved maintaining coins of integrity and diligently resisting all efforts to circulate others. The use of promises to pay good money was accompanied by the exclusion of irredeemable promises to pay money. The benefits of this country's completely successful policy and of its partially successful one, both, were felt, not only locally, but universally. Another, the United States of America, after following a course which, though weak and hazardous, had been sufficiently successful to contribute greatly to freedom and prosperity, achieved a short success. The achievement, it should be stated, added greatly to the extensive benefit from England's much earlier and longer lasting one.

The place of multiples of the unit of a standard of money cannot be supplied by deposits secured by a government's promises to pay which are not redeemable in things of universal desirability, nor by mere pieces of paper bearing promises to pay which are not redeemable. To the regret of many, the United States of America is now attempting this impossibility, with one unfair exception. This is a rule of redeeming such promises on demand at the Central Bank of any foreign State. These institutions, it must be remembered, like our Central Bank, are not for serving **John Doe**, Citizen, directly.

Examples of Communities Using Sound Money Without Awaiting Stable World Conditions

In his "An Inquiry Into the Nature and Causes of the Wealth of Nations" (Vol. II, p. 193, Collier, 1901), Adam Smith told of the remedying of inconvenience from disadvantageous exchange to which the merchants of such small States as Venice, Genoa, or Amsterdam were subjected. Had they been desired, international agreements to establish monetary standards were not possible. One of such small communities, to establish a standard, could not have awaited "sound money generally," or improved policies on spending, etc., as some advocate that the United States now do.

The banks of Venice, Genoa, Amsterdam, Hamburg, and Nuremberg, we learn from the great authority (Vol. II, p. 193), "though some of them may have afterward been made subservient to other purposes," were established upon the credit, and under the protection, each of its respective State, for the following purpose:

"to pay 'foreign bills of exchange of a certain value, not in common currency, but by an order upon, or by a transfer in the books of the State bank; this bank being always obliged to pay, in good and true money, exactly according to the standard of the State'; or, on page 205, referring to such countries as pay in what is called bank monev, like the four mentioned, Adam Smith said: they 'pay in a species of money of which the intrinsic value is always the same, and exactly agreeable to the standard of their respective mints.' This money he contrasted with common currency, which abounded in small States, saying that the latter was 'a species of money of which the intrinsic value is continually varying, and is almost always below that standard [of the mints]'."

The thought that world conditions must be stable, if the United States of America is to be "on" a gold standard, is in striking contrast to the actual experience of the City of Amsterdam and to that of the City of Hamburg. So unstable were world conditions that "common" currency prevailed to make great difficulties in exchange. But instability of a major quality arose from tyrannical governments and frequent wars. Business was extremely unstable. Yet eacn of these two communities found from its long experience that it could maintain a policy of honest, or sound, money. They simply disproved that a State, in order to maintain a standard of money must await sound money generally or improvement in other policies at home or abroad.

In 1609, eighty-five years before the founding of the Bank of England, the first of the above mentioned States established the Bank of Amsterdam. Truly, during its first 63 years of great success, this instrument of a State did "pay in good and true money, exactly according to the standard of the State," while "sound money generally" was known not to be. England, France, and Spain had disordered currencies. Yet, consider the following observation by Dr. Smith (Vol. II, p. 203):

"In 1672, when the French king was at Utrecht, the Bank of Amsterdam paid so readily as left no doubt of the fidelity with which it had observed its engagements. Some of the pieces which were then brought from its repositories appeared to have been scorched with the fire which happened in the townhouse soon after the bank was established. Those pieces, therefore, must have lain there from that time."

Certainly for many years from 1770 onwards the Bank of Hamburg was a sound instrument of the State for maintaining its monetary standard, the **mark banco**.

In the 1870s the currency of Germany was altered from a silver to a gold basis, and the Bank of Germany, with a branch in Hamburg, was established. The result was that, on January the first, 1876, the Bank of Hamburg was merged with this new institution. An idea of Hamburg's power to maintain its monetary standard, despite chaotic monetary conditions internationally, may be had from considering an incident of November 5, 1813. Palgrave, in his "Dictionary of Political Economy," Vol. I, p. 104, tells us:

"On this date the French took possession of the bank treasure. So unbroken was the confidence in the institution that its operations were hardly interrupted by this shock; the removal of the treasure by the French continued until 18th April, 1814. After a further period of disturbance the freedom of Hamburg was reestablished in 1814. The bank immediately resumed business and the value of the **mark banco** stood as before."

In 1816, England established gold "as the sole unlimited legal tender and standard." (**Palgrave**, Vol. 1, p. 221.) This she maintained without interruption from 1821 to 1914. In 1694, the government of England began calling in all of its impaired coins. By June 24, 1696, there was completed, according to Palgrave, Vol. III, p. 271, the demonetization of all light and base silver coin current in England. The bulk of this currency, called **common** by Smith, as we have seen, was displaced by sound silver coins. On October 20, 1696, Montague proposed and carried in the House of Commons a resolution declaring that the standard of money should not be altered in fineness, weight or denomination. (**"History of England from the Accession of James II." . . . by Thomas B. Macaulay, Vol. VI, p. 2651, Fifth Ed'n.**)

And next, in 1698, we see the beginning of the attempt to employ a policy, now called **bimetallism**, the course of action by his country against which John Locke had argued well. (**"Works," 12th Ed'n., Vol. 4, p. 102.**) This policy, practiced for 101 years, failed; but, even so, England's contribution to world trade intercourse was enormous, because wherever men carried on extensive commerce, from 1696 to 1797, they could put their trust in the integrity of England's coin, as well as all bills of exchange on London and all other **media** of exchange promising to pay money. The banks of England, the sources of paper "money," like the City-State banks described by Adam Smith, were obliged to pay bills of credit, or banknotes, in good and true money.

History records no instance of England's hesitancy to practice either her partially successful policy, bimetallism, or her wholly successful policy, monometallism, because of the very unstable conditions abroad during much of the two centuries involved. Observing England's preservation of integrity in her coins, one should observe also that France and Spain, her two greatest rivals, during the time in which she failed to maintain a bimetallic standard, did not maintain the coinage or the circulation of honest coins.

For calling in and redeeming her debased and otherwise degraded coins, France, throughout her history, when attempting such a thing, never employed sufficient capital or a practicable policy. England set an example in the employment, both of sufficient capital and a practicable policy. This was not heeded by any Continental European State.

In his "Fiat Money in France," the lamented Andrew D. White wrote that Napoleon, on rising to power, refused to pay his soldiers with any exchange **media** except gold, a course to which he adhered throughout his career. It is remarkable that, according to our illustrious authority, Napoleon failed to pay thus in only one instance, an occasion of a few days duration. Interest is lent to this fact by the reflection that England was then "on" an irredeemable paper money basis, and was not to adopt a single gold standard or to return to the use of redeemable paper for a score or more of years. France's new Emperor showed no inclination to await "sound money" abroad or for the present-day vague "betterment of domestic credit, prices, etc."

This famous man's stand on his country's first requirement, the circulation of a sound **medium** of exchange, marked for France her first great effort to adopt and to maintain a gold standard. Although success was not achieved, a wholesome result was that France's thrifty element, constituting a large segment of its people, availed itself of the

Continued on page 20

All-Round Benefits of a Lowered Capital Gains Tax

By CARL STOLLE*
President, G. A. Saxton & Co., New York City
Chairman, Board of Governors,
National Association of Securities Dealers, Inc.

Condemning the capital gains tax as unjust and onerous and as impinging upon the investor's ability to keep abreast of rising prices, Mr. Stolle points out its adverse effects on an expanding economy. Holds lower tax rate would increase Treasury's revenues.

I appear here today on behalf of the members of the National Association of Securities Dealers, Inc. and I believe I should delineate in short form for the Committee what the Association is and who are its members.

Carl Stolle

The National Association of Securities Dealers, Inc. is a registered securities association registered pursuant to the provisions of Section 15A of the Securities Exchange Act of 1934, as amended, and was created for the purpose of promoting high standards of commercial honor and just and equitable principles of trade in the investment banking and securities business as well as enforcing its own voluntarily adopted code of fair practice. There are presently 3,000 members of the Association, all of whom are registered brokers and dealers with the Securities and Exchange Commission. Our membership consists of approximately three-quarters of all registered brokers and dealers throughout the United States. In addition, in the employment of our members are in excess of 35,000 individuals who are so-called "registered representatives" whose primary function is to facilitate, on behalf of the investment public and the channeling of capital to productive enterprise, the purchase and sale of securities. Our members are located in every principal city of the United States as well as in every locality of any size or consequence. Of our 3,000 members over 1,700 are firms whose total personnel per firm is five individuals or less.

With that preface I wish to speak on behalf of our membership with respect to Item 22 on the agenda of this Committee which is the general question of the capital gains and loss provisions of the Federal tax statutes. It is our considered opinion that a change in those provisions would be of benefit to the economy of the United States generally, to investors individually, to the Treasury of the United States through increased revenues, and lastly, and I do not mean to imply that it is our least interest, to the securities business which I have the privilege and honor to represent. Any self-interest which may prompt this appearance is an interest which cannot be served without first resulting in the principal benefits enumerated above.

I am sure that this Committee has had many aspects of the impact of the capital gains and loss provisions brought to its attention and, therefore, I do not propose to take a great deal of time.

The Nature of Capital Gains

However, several things, it seems to us, should be borne in mind. A capital gain in many instances represents only an increment in value caused by an expanding economy and sometimes the gains do not even approach the rate of expansion in the cost of living. A capital gains tax, therefore, in an onerous amount further impinges upon the investor's ability to keep abreast of rising prices. Or the gain may come from a successful venture in a new or untried industry where he has been willing to take a real risk and furnish the capital needed to promote a future profitable and therefore taxpaying business. In another instance he may subscribe the necessary funds to revitalize a business needing the injection of new capital to make it, too, a successful taxpayer. He construes the capital gains tax at its present rate as an undue penalty.

Whether the taxpayer is in a bracket where it pays him to include his capital gain at regular income tax rates or in a higher bracket where the 26% rate becomes effective, the result is the same—i.e., the taxpayer regards the tax as a heavy inroad into his capital assets. If he has capital gains in his account he must consider his net worth to be substantially less than the figure put on it in the market place.

Then again, members of our Association in the course of their business have become increasingly aware of the reluctance on the part of investors to assume a tax on capital gains which they can well avoid simply by not selling investments in which a capital gain will be realized. There are many instances in which clients of our firms have fully agreed that certain changes in their portfolios would be of advantage until the realization of the impact of the capital gains tax. This completely stultifies the desire on the part of the investor-taxpayer to go forward with any new investment which would require a liquidation of a current holding in which there is a capital gain. Many new capital flotations have thus been ignored by the very investors who should be furnishing the best source of such new money required by industry.

One aspect of this tax is frequently overlooked in the fact that tax liability for capital gains taxes is completely under the control of the taxpayer. He need not dispose of his securities or property which show a profit or a capital gain. He may choose to retain that property or securities rather than to pay a tax which he considers to be either burdensome, unfair or unwise. This factor of choice on the part of the taxpayer is such that we believe the taxpayer should be encouraged to every extent feasible with the fiscal policy of this government and the economic needs of American industry to dispose of his property at times when it is to his advantage and thus make available funds not only for the Federal government by way of taxes but for reinvestment in American enterprise. We believe the ultimate result would be an increase in government revenues from this source by the lowering of the rate to a practical basis where it would not be so onerous as to be a blockade to business and to tax revenue.

Effects of Proposed Changes

To summarize briefly, therefore, the changes sought in the rate of the capital gains tax and the length of the holding period would:

(1) More readily permit and encourage investors whose holdings show a profit to dispose of those holdings and reinvest their capital in other productive enterprises.

(2) It would encourage a more rapid turnover of investor holdings when a gain may be realized which would have the two-fold result of increased revenues to the Treasury and a more fluid market for securities.

(3) It would, through the encouragement of liquidation to realize a profit, provide sources for equity capital in the United States which are, in the opinion of industry and the securities business, urgently needed in order to assure continued expansion of industrial production and full employment in this country. It is the considered belief and studied opinion of the group which I represent that a change in the holding period to three months and a substantial reduction in rate would be in the public interest not only for the reasons stated but for the very selfish reason on the part of the government of providing additional tax revenues to aid in the balancing of the necessarily tremendous governmental budget.

*A statement by Mr. Stolle before the Committee on Ways and Means of the House of Representatives, Washington, D. C., July 28, 1953.

William L. Hurley, Director

William L. Hurley, a member of Baker, Simonds & Co., Investment Bankers, in Detroit, has been elected a director of Copeland Refrigeration Corp. of Sidney, Ohio. Copeland is a major producer of compressors and condenser units for air conditioning and commercial refrigeration.

Wm. L. Hurley

Joins Lewis D. Thill

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Paul W. Trush has become affiliated with Lewis D. Thill, 208 East Wisconsin Avenue. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

John J. Nolan

John J. Nolan, partner in G. H. Walker & Co. and manager of their syndicate and bond departments, passed away suddenly at the age of 56.

With Nelson Burbank Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Kelly P. Dahood has become affiliated with Nelson S. Burbank Company, 80 Federal Street.

Two With Goodbody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard L. Bruno and Gerard A. McCue have joined the staff of Goodbody & Co., 140 Federal Street. Mr. Bruno in the past was an officer of Elwell & Co., Inc.

LETTERS TO THE EDITOR:

Take Issue With Spitz On Dividend Taxation

William McKinney of McKinney-Ohmart Co., Inc. of Wichita, Kan., and William R. Nash of Warner, N. H., deny argument that because corporate earnings and corporate dividends are technically two different things, taxation of dividends is not double taxation.

Editor, Commercial and Financial Chronicle:

We have never been any hand to write our Congressman, nor to write open letters for publication. However, Mr. Spitz's letter ["Chronicle" of July 30, page 13] denying that "taxing dividends is double taxation" arouses us to the point that we are constrained to try to answer his arguments.

In the first place, we will concede that the Government has the legal right to tax corporations on their profits, and to again tax stockholders on these same profits, distributed as dividends. The question in debate is whether such taxation is fair, equitable and just. As a matter of fact, I believe that most of our Congressmen concede that such practice is unfair and inequitable, and justify it only because of the nation's great need for money during this period of emergency.

We shall also dismiss Mr. Spitz's technical argument that corporate earnings and corporate dividends are two different things. However, in a single business there is just one profit account, and you don't double the amount by first taxing it in the hands of the corporation, and again taxing it as dividends in the hands of the stockholders. A corporate setup is in effect a limited partnership chartered by law, and is not wholly unlike other partnerships, associations, etc. Would Mr. Spitz advocate taxing the profits of an ordinary partnership on the business itself, and then require each partner to individually pay a second tax on his part of the same profit?

Interest and dividends are in effect nothing more or less than rental paid for the use of capital. If a corporation rents money and issues bonds evidencing the rental contract, the consideration paid for the use of the money is labeled interest, and may be deducted before computing income taxes. However, if the corporation rents this money on almost identical terms, and issues preferred stock certificates, the rental is labeled dividends, and the cost of "hiring the money" may not be deducted before computing income taxes (e.g., long-term income bonds vs. cumulative preferred stock with sinking fund retirement). This discrepancy may appear logical and fair to Mr. Spitz, but it does not appear so to us.

Volumes have been written concerning the economic greatness of the U. S., and many reasons therefore have been advanced. Personally we have never thought that the adoption of the corporate device for doing business has received the importance it deserves. It is unlikely that this nation would have attained its economic standing had it not been for the American Tel. & Tel. Co., U. S. Steel Corp., General Motors, Standard Oil, the railroad corporations, the utility corporations and thousands of other successful corporate enterprises. Millions of American citizens have pooled billions of their dollars to create these "limited partnerships," large and small, which produce plentiful goods at low costs, in a manner that our forefathers never dreamed of.

Why has this development taken place in the U. S., when other nations have failed, even with our example before them? We would attribute it to two things above all else. First, the individuals have had sufficient confidence in each other to form these great partnerships; and what is of more importance, the individuals have had sufficient confidence in their government to believe that the partnerships would be permitted to grow and prosper. It has been said that "the power to tax is the power to destroy." Admittedly corporations can be taxed to death. Taxing profits in the hands of the corporations, and taxing these same profits in the hands of the stockholders is the way to corporate destruction. Replacement of stockholder-owned corporations with tax-free cooperatives, municipal and State ownerships, leads to socialism and inefficiency. Socialism will be followed by communism and chaos.

WILLIAM A. McKINNEY,
Vice-President, McKinney-Ohmart Co., Inc., Wichita, Kansas.

Aug. 7, 1953.

* * *

Comment by Mr. Nash

Editor, Commercial and Financial Chronicle:

I have read a number of screwy letters in your publication, but that written by Richard Spitz takes the cake. If the common stockholders of a corporation do not own the net earnings, who does? Not the Treasury Department, surely.

This is proved by the fact that when a company is liquidated, the common stockholders receive all of the assets after payment of prior claims.

Let Mr. Spitz, who is critical of Mr. Funston's "double talk," look to his own argument which starts with a false premise, and contains only pseudo logic.

WM. R. NASH.

Warner, N. H.,
Aug. 4, 1953.

Investment Women of San Antonio to Meet

SAN ANTONIO, Texas — The Investment Women of San Antonio will hold their annual dinner meeting with installation of officers, on Sept. 22, beginning at 6:00 p.m. in the Tapestry Room of the St. Anthony Hotel.

Joins First Florida Investors

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Charles W. Ireland is with First Florida Investors, Inc., 19 South Court St.

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Roger K. Moore has joined the staff of Beil & Hough, 33 Fourth Street, North.

Joins Florida Securities

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Richard F. Burch has become connected with Florida Securities Company, Florida National Bank Building.

A Brighter Future Ahead For Agriculture

By EARL L. BUTZ*
Head, Agricultural Economics Department, Purdue University

Warning against selling American Agriculture short, Dr. Butz asserts the industry is still stable "and always will be." Says there has been relative price stability in recent months, and farmers' cash receipts continue high, while demand situation continues strong. Looks for only modest adjustments with good long-run prospects ahead.

American Agriculture is not on the financial rocks, or even near them. There is nothing—and I write this with all the sincerity I am able to command — in the current economic picture to warrant the near panic attitude that some people have toward the future of American Agriculture.

Earl L. Butz

American Agriculture is still a good stable industry. And it always will be. Those who are actively engaged in it must not lose confidence in its future. The same is true for those who finance it.

It is true that the current agricultural situation is more filled with uncertainty than usual. Farm commodity prices, until six months ago, were is a two-year decline; the cattle market is still upset after its recent tailspin; the government is buying over one million pounds of butter a day; Congress is divided in its reaction to the attitude of Secretary of Agriculture Benson toward lower farm price support levels; and politicians are playing lower farm prices for all they are worth. Small wonder that farmers are alarmed and that farm-related businessmen are anxious!

Relative Price Stability in Recent Months

Agriculture has been in a period of relative price stability for the last half year. Although prices received by farmers are down rather substantially from a year ago, they have not changed significantly, on the average, since last February. This period of stability, although at a lower level than some of us would like, is reassuring after the rather abrupt two-year decline in farm prices which was evidently stopped last February.

The near panic attitude held by some people in agriculture a few months ago is apparently subsiding. If we can have a few more months of relative price stability, the agricultural community will get still better adjusted to current price relationships.

It is true that the index of prices received by farmers dropped from their all-time high of 313 (1910-14=100) in February, 1951, to 263 last February. That was a decline of 50 points in over two years. On July 15, 1953, they were only four points lower, or a little less than 2%, than in February, 1953. This represented a total decline of 54 points from the all time high in February. 1951. However, they were still 12 points above the June, 1950 figure, just before Korea.

The 313 index of farm prices two years ago was too high to be expected to be maintained. That 313 two years ago represented an increase of 66 points from the 247 in June, 1950. In other words, prices received by U. S. farmers, on the average, increased 66 points in the eight months preceeding February, 1951. They have since declined 54 points. We did not complain a great deal during that period of rapid increase. It was a period of the most rapid increase in the history of farm prices in America. It was a rather palatable experience for those of us in agriculture.

Those of us who look at the long span of price relationships recognize it was too high to be maintained. We have since come back into adjustment, a little past adjustment as a matter of fact; but that is the way prices operate in a free-price society. That is one of the prices we have to pay for a free-price society; and those of us who understand the benefits of a free-price society are willing to pay that price for it.

I am not trying to say the decline in the last two years is not serious. It is. It represents a cost-price squeeze that our farmers are experiencing which makes some inefficient farmers hard pressed to make both ends meet. But that also is a normal situation in a competitive economy.

Farm Costs Remain High

Let us look now at the index of of prices paid by farmers for things they use in living and production. That index has not declined like prices received have come down. That is where the trouble arises. Prices paid by farmers in July were 278 compared with 286 a year ago. They have come down some in the last year, but they are still some two points higher than they were two years ago.

By way of comparison, prices received by farmers are about 17% lower than they were two years ago. That is serious. That is the cost-price squeeze you have been hearing about. That is the thing which cuts farmers' purchasing power throughout every agricultural community in America. That relationship is best represented by the price parity index.

The price parity ratio in July, 1953, was 93. For one and one-half years before last Novemeber it was above 100. When the Korean War started, prices received by farmers rose more than prices paid by farmers. That gap represented a price position advantageous to agriculture. Since last November, those two lines have crossed, with prices received below prices paid. I think they will stay crossed the rest of this year and next. The price position of agriculture obviously is not as good now as it was two years ago, but it is still not so bad for the efficient farmer. But trouble is ahead for the inefficient farmer.

Farmers' Cash Receipts Continue High

Cash receipts from farm marketings during the first six months of 1953 totaled $12.6 billion. This was only 5% below the corresponding period of 1952, when prices were substantially higher. Total volume of farm marketings during this period was 5% above a year earlier, which partly offset lower prices received. Present indications are that cash receipts throughout the remainder of 1953 will continue to run somewhat lower than during the comparable period in 1952. However, total receipts will not be as much lower as the lower prices would indicate, because of the increased volume of farm marketings.

Demand Situation Continues Strong

The outlook for farm product prices, at least during the remainder of 1953, is fairly good. Farm prices, on the average, have completed their recent decline, and during the remainder of this year will mostly follow normal seasonal patterns. Indeed, there may be some improvement in crop prices later in the year after the market adjusts to the abnormally large supply situations which are developing.

It is unlikely that agriculture, in general, will experience much more price deterioration so long as the general economy continues strong. Record employment and all-time high personal incomes are contributing to a fairly strong domestic demand for farm products. Non-agricultural employment has been at new peaks each month during the first half of 1953. Personal incomes continue about 7% above last year. Retail sales, likewise, are about 7% above a year earlier. American businessmen continue to invest in new plant and equipment at an amazing rate. The investment schedule reached a new high in the second quarter of 1953, and indications were for a further rise in the third quarter. On top of this, governmental expeditures continue high, and are not expected to change much in coming months. Even the new Administration in Washington appears to be a long way from a balanced budget.

The foregoing factors are at least anti-deflationary, if indeed they are not "inflationary." Moreover, it was significant that in the last week of June the government backed away a little bit from its tight money policy with a lowering of reserve requirements for member banks. This action was not nearly so significant in itself as in the implication that the government will act rather quickly, in indirect ways at least, if it should apear that deflation is becoming serious. In the longer run context, the relationship of government to business and agriculture remains mildly on the inflationary side. This is just practical politics.

Offsetting to some extent the strong domestic market for farm products is the rather serious decline in exports of agricultural products. They are currently running about one-third below the 1951-52 period. However, the current agricultural price situation is probably pretty well adjusted to the decreased level of exports.

The Cost-Price Squeeze Will Continue

The price parity index for agriculture has hovered between 93 and 95 for the past six months. It will probably continue at about that level for the remainder of the year. Next year it may drop a little. Farmers should probably plan to operate with prices between 85 and 95% of parity for the next year or so. This will not be too dissimilar from the period of the 1920's, except that agricultural indebtedness is at a much more reasonable level now than it was in the 1920's. This will be a period in which the efficient and scientific farmer will make a reasonably satisfactory net farm income. The inefficient operator will have difficulty.

Modest Adjustments Ahead

Following the end of 1953, when military spending is scheduled to taper off, the level of business activity in the U. S. may reach a crest and be followed by a year or so of mild business downturn. This interval will be more in the nature of a period of relative stability and adjustment than recession. It will be more like a 1949 than a 1932. Price adjustments will be spotty geographically and will not fall equally upon all lines of agriculture or business.

Net farm income in 1954 may be slightly below that of 1953. Purchasing power of 1954 from income will also be below last year, because of a tendency of costs to continue their upward trek. The cost-price squeeze in agriculture will continue. Inefficient farmers will be hard pressed. Some will falter. Some loans, carelessly made and loosely supervised, will default.

The adjustment of 1954 will not be very severe or very prolonged. Our economy has pretty well grown up to our increased money supply, and prices are currently in pretty stable adjustment with each other. We are finishing a year of relative economic stability at a high level. We have a lot of props and economic rigidities undergirding our economy. We are now accustomed to living with the inflation we have experienced. Many of us discuss the "god old days" with nostalgia, but few of us really want to return to them. A severe or prolonged price decline is politically improbable, if not impossible. Any downward adjustment in 1954 will be moderate and short-lived.

Long-Run Prospects Are Good

After another year or two, when military production has leveled off, the outlook is good for a continued rising standard of living for all of our people. This fact, combined with our amazing upsurge in population, will provide a continuing consumers' market for nearly everything we can produce. This will also be true of food and fiber produced by American farmers.

After 1954 the post-mobilization adjustment will be completed and business will resume its upward trend, with modest upward price pressure. I think 10 years from now the price level will be a little higher than now, but not seriously so. I base that production as much on sociology and psychology as I do on economics, because I am convinced that mild inflation is palatable to the bulk of our people.

For the longer period, I am unalterably optimistic. If we can keep our levels of production up, nothing in my judgment, can stop this great political and business system of ours, nor our progress toward greater real income for all of us. I am convinced that the amazing strides toward domestic prosperity which we have made during the last two decades will continue at least for another decade or two, if we can preserve our free economy in America. No administration in Washington can do that automatically, for government cannot go beyond what the people want.

Your job and mine must be one of everlasting adult education about the things that make America great. If we would keep our free economy, we must preserve a free price economy. There are too many people in America today who do not really believe in free prices, but who still believe they can look to Washington for price supports, price regulations, price ceilings, and so on. We must get the point across to every citizen that the incentives under free prices make our economy great, and make it strong, and make it productive.

In this long-time setting of an expanding economy, American Agriculture will operate in a relatively favorable environment, with good profit opportunity for efficient farmers. This means that although the outlook for business and agriculture over the next 10 years may be uncertain, it is much better than in the late 1930's and the early 1940's. There are prospects for reasonable earnings for operators who are efficient, progressive and scientific.

For the long pull ahead, as a life's vocation, agriculture has as much to offer as any other comparable vocation to the young man who desires a comfortable standard of living for his family, a good environment, and an opportunity to provide his own security for his declining days.

*A summary of an address by Dr. Butz before the Seventh Study Conference of the Alabama Bankers Association, University of Alabama, Tuscaloosa, Ala., Aug. 10, 1953.

President Reviews Achievements Of His Administration

In radio address to nation, Mr. Eisenhower points to Korean Truce as a victory and determination of free world to resist aggression. Lists 12 areas of accomplishment in his legislative program, but acknowledges his Administration has not "conquered all problems facing nation." Refers to study being made of tax structure and amendments of national labor law. Says "we have abolished a labyrinth of needless controls" and denies following "preconceived economic dogmas."

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Pres. Eisenhower

The text of the President's address follows:

My Fellow Americans:

A mark of free citizens, proud and wise enough to govern themselves, is the searching scrutiny they turn upon the purposes and the performances of their own government.

It is the historic habit of a free people—it is our habit—to ask our government at frequent times: Where are we going? How far have we come?

These questions arise logically in these very days. The first session of the Eighty-third Congress has adjourned. The laborious work of the Committees has ended. The debates have closed. The roll-calls have been taken. A record has been written.

In the few moments we have this evening, let us take a look at that record.

Legislative Actions

The array of legislative actions, at first glance, seems bewildering in variety and complexity. It includes:

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Reorganization of whole government departments;

Revised plans to help arm our allies in freedom;

Short-term extension of onerous but needed taxes;

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Emergency aid to drought-stricken areas of our own land;

Extension of legislation to aid and increase our commerce with the people of other lands;

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Programs to rebuild Korea;

Simplification of customs regulations;

Admission of refugees;

Enactment of a multitude of normal appropriation bills.

With such an array of new legislation, it is little wonder that the intelligent citizen asks: What do all these things mean? Where are we going?

The first part of the answer is this:

Such actions as these are not the chance results of some wildly spinning wheels of governmental machinery.

These acts reflect thoughtful planning. They have demanded work — the earnest, exhausting work of hundreds of conscientious legislators. They denote purpose—clearly defined purpose.

When I first appeared before the Eighty-third Congress six months ago to deliver the Administration's message on the State of the Union, I tried to define what I referred to as "the grand labors" confronting this government. They were these:

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The second: "Establishment of a national administration of such integrity and efficency that its honor at home will ensure respect abroad;

The third: "Encouragement of those incentives that inspire creative initiative in our economy; and

The fourth: "Dedication to the well-being of all our citizens and to the attainment of equality of opportunity for all."

These purposes give meaning and sense to all that has occurred in these last six months.

We have adhered firmly to these purposes.

By-Products of Korea

Let us begin with the first: The exercise of our influence in world affairs in the quest of lasting peace

And here let us begin with that tragic land of war: Korea.

We made plain from the outset our determination, shared by our allies in the United Nations, to find—to fight for however long to win—an honorable armistice in Korea. We speeded the equipment and training of Republic of Korea troops, inspiringly led by President Syngman Rhee. We firmly—and successfully—upheld the right of prisoners of war to choose their own future.

We have now gained a truce in Korea.

We do not greet it with wild rejoicing. We know how dear its cost has been in life and treasure. We know how grave are the problems to be met before the people of Korea enjoy real unity and security.

Yet we also soberly know that we have won two precious victories.

We have shown, in the winning of this truce, that the collective resolve of the free world can and will meet aggression in Asia—or anywhere in the world.

And we have won the opportunity to show that free people can build in peace as boldly as they fight in war.

We have already given signs of our power and purpose to do just that. The Congress has authorized the spending of 200 million additional dollars for the reconstruction and rehabilitation of South Korea. This action springs directly from the heart of America, which has contributed so generously to private relief organizations like the American-Korean Foundation, working to heal and help our stricken ally.

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For we know this: no military victory, no diplomatic triumph, no precision-perfect foreign policy of our own can mean very much for very long—if it does not bring hope to hundreds of millions of people who live today in fear or need or hunger. As surely as we seek lasting peace, we shall find it only as these people come to have faith in their own future in freedom.

This, then, is, in one area, the wise and purposeful use of our strength of which I spoke six months ago.

Objectives in Western Europe

We have pursued the same objective on the other side of the world. In Western Europe, we have seen—and constantly aided—the slow, steady growth of unity, of economic health and of military defense.

With the nations of Western Europe now producing even more than they did before World War II, it has become possible to devote most of our foreign operations to the needs of military defense. This means, for us as Americans, that these billions of dollars directly serve our own national security. They have thereby made possible part of the great savings effected in our own Department of Defense.

The Senate vote of 69-to-10 on this issue of foreign assistance was the largest such vote ever united in support of this kind of program. This reflects something more important than money. It signifies an unprecedented unity that crosses party lines and promises steady purpose in the conduct of our foreign affairs.

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There is a significant connection between these distant spots on the great globe.

Berlin and Korea have been two of the scenes chosen by the Communist world for flagrant acts of aggression since World War II.

Today precisely these same two places present dramatic evidence of the will of free men to stay free and to make freedom work.

Unity of Free World An Essential Force

No clearer proof is needed of the power of the free world not only to defeat what is evil but also to create what is good.

We intend to keep the knowledge of that power before all men.

The essential force behind this power is the unity of the free world; and one essential basis for that unity, in turn, is economic health nourished by mutually beneficial trade. The Eighty-third Congress has shown clear understanding of this truth. This is the significance of the Congress' actions in simplifying our customs regulations and extending the Reciprocal Trade Act. These actions again testify to that growing unity of opinion which rises above party lines to see clearly the need for profitable trade throughout the free world. These actions—while consistent with concern for our own industries — recognize also our own dependence upon vital foreign markets and foreign sources of raw materials.

Again and again, as we have faced these problems of international trade and world diplomacy, we have stressed the central fact that we are concerned with the plain needs and hopes of the ordinary peoples of the earth. So we have undertaken the shipping of a million tons of wheat to help meet the famine in Pakistan. So the Congress has authorized this Government to make available excess reserves of crops to friendly nations in need and so we have authorized the entry into the United States of some 214,000 refugees. These are men and women of the same character and integrity as their and our ancestors who, generation upon generation, have come to America to find peace and work, to build for themselves new homes in freedom.

In all these ways, then — in every deed and decision — we have sought to apply our strength in the world so as to deter aggression and to secure peace. We have accepted the burdens of world leadership with clear mind and confident heart — for we know that to strengthen other free men is to serve our own freedom and safety.

I come now to the second great objective of which I spoke six months ago—the building of an honest, efficient administration, honored at home and respected abroad.

The repair and reorganization of so huge a piece of political machinery as the United States Government is a colossal undertaking.

We have made a good start.

We began with certain negative tasks.

There were some security risks still in the government. They have been swiftly expelled.

There were some incompetents. They are lingering no longer than it takes to discover them.

There were simply too many people on the payrolls. We have reduced that number by stringent hiring policies that have cut the total by many tens of thousands.

The positive task of bettering government has produced less dramatic but even more profound results.

We submitted to the 83rd Congress 10 major reorganization proposals. All 10 were approved. This is an unprecedented record.

Reorganization itself bears upon plans and practices of even wider scope. The whole area of Federal-state relationship is being put under review by a commission to bring order and sense into a field full of confusion and conflict. And within the Federal Government itself, both the Executive and the Legislative branches have worked with patience and good-will to insure that this government not be divided against itself.

This mutual consideration between Congress and the President is less tangible but more vital than any reorganization bill ever passed or ever contemplated.

Essential to coherent and consistent policy, mutual confidence can never be legislated into existence. It is no easy thing to achieve. It certainly is not easy to perfect at a time when one great party, after 20 years of political life in the Opposition, ousts another from office. Such an event casts both parties in new, strange roles. The strangeness for the party newly come to power, in this case, is dramatized by the fact that there is in the Senate today not a single Republican who had ever held Senatorial office when a Republican President was in the White House.

I mention this to underscore the significance of the goodwill which, I believe, has been built, fast and firmly, between the Executive and Legislative branches. The two have differed many times. They have debated long and candidly. But the final results testify to a prevailing common purpose which is a credit to the high sense of duty of this 83rd Congress.

Pays Tribute to Taft

That common purpose — I must add—found one of its most effective supporters in the late Senator Robert A. Taft. Its great advance was among the last and most important of his many important public achievements. Today, I know of no greater inspiration to all men seeking good, just government than the memory of his courage, his integrity and the spirit of selfless cooperation that so brilliantly marked the last months of his life.

The building of this kind of government has proceeded simultaneously with our seeking of the third great objective I cited six months ago—the encouragement of creative initiative in our economy.

This serious, long-range purpose cannot record headline-making results in a few weeks or months. But — again — I believe the bright beginnings are clear for all to see.

We have, first of all, faced the tough facts of the government debt. The last 23 years have seen this debt climb by $258 billion — at the relentless average rate of more than $11 billion a year. This, of course, includes a part of the inescapable cost of war. Yet the terrible momentum of that increasing debt could not be allowed to continue.

The Debt Limit

Neither could it instantly be arrested. The weight of obligations made two and three years ago has forced upon us, as you know, the possibility of our having to raise the debt limit later this year. For one thing is a certainty; bills already contracted by the government must be paid the day they become due.

In so critical a time of transition, we have done what honesty and good sense dictate. We delayed lowering or removing taxes which, however harsh, provide essential revenue if the tide of debt is to be turned. We did not delay in cutting deep into governmental expenditures. The Executive and the Congress reduced the previous Administration's budget request for the current year by almost $13,000,000,000—an amount representing some $80 for every American.

This striving to bring the budget under control—as I have said before—is no mere academic, technical exercise challenging government accountants. It profoundly influences the buying power of your dollar. It vitally affects every family in the land.

Our overriding concern is not with elaborate theories of economics, but the plain well-being of all the people. And the balancing of the government's budget is critical simply because it can help every family in our land to balance its own budget.

Moreover, in pursuit of this great objective of encouraging individual initiative, we have taken a series of major economic decisions. To free our economy from bonds that denatured healthy and necessary competition, we abolished a labyrinth of needless controls. To reform a tax structure that threatens to smother free initiative, the Treasury and the appropriate committees of the Congress have begun a total review of our tax system. Their recommendations will be ready for action by the next session of Congress.

Follows no Preconceived Economic Dogma

I repeat: All these actions, governed by a single purpose, are not mere gestures in honor of preconceived economic dogmas. They reflect our awareness of the mighty productive power of individual enterprise to which America itself is history's greatest testimony.

Upon the productive might of the individual American depend the wages, the diet, the health, the homes of millions of families. Upon this productive might depends even more—the preservation of freedom itself in this, its age of greatest peril.

Now, what of the fourth and last great objective which I set forth last February: that fourth objective was the dedication to the well-being and the equal opportunity of all our citizens?

This objective affects, directly or indirectly, every action of this government. For every deed of this government is tested, judged, and inspired by this resolve—to serve the well-being of 160 million Americans.

In this spirit, there has been created a new Cabinet division—a Department of Health, Education and Welfare—to carry steadily forward all the labor of care that we associate with schools, pensions, clinics, hospitals.

In this same spirit, the Congress authorized prompt emergency farm loans to our drought-stricken areas of the Southwest; and representatives of every farm area and organization have been brought together to help shape laws making our farm population more productive and more secure than ever before. Today I signed a piece of legislation which farm organizations have been seeking for many years. This new legislation provides for increased participation by farmers in the farm credit system.

Serving this same purpose, we have been preparing specific recommendations on labor legislation to submit to the next session of Congress—to make sure and clear the rights of workers and unions, to promote increased industrial output and lasting industrial peace.

Through the cooperative action of many citzens and organizations, we have prepared recommendations for the extension of old age and survivors insurance coverage to 10,500,000 Americans, that they too may be encouraged to look forward to an old age of health and independence.

We have used the power of the Federal Government, wherever it clearly extends, to combat and erase racial discrimination and segregation—so that no man of any color or creed will ever be able to cry, "This is not a free land."

These, then are some of the things we have been doing—and the reasons why.

Achieved "Little More Than a Beginning"

They all total—I repeat—only a little more than a beginning.

I know of no official of this Administration so foolish as to believe that we, who in January came to Washington, have seen and conquered all the problems of our nation.

The future, both immediate and distant, remains full of trial and hazard.

The end of our staggering economic burden is not yet in sight.

The end of the peril to peace is not clearly in view.

There is only this in sight: A firm and binding purpose that guides all our objectives—our every deed.

This purpose is to serve and to strengthen our people, all our people, in their faith in freedom and in their quest of peace; and to strengthen all other peoples who share with us that faith and that quest.

In this short summary of the record, you can see how this single, supreme purpose rules and relates foreign relations; world trade; defense appropriations; reorganization of government departments; domestic programs affecting agriculture, labor and industry; taxes; debts; tariffs.

This ruling purpose inspires all the men who are your servants in government — men from the professions, the trades, from business, from farm and factory—each representing a part of America in such a way as to make a united America.

The men and women in the Congress, the men and women in the Executive Departments, in both appointive and Civil Service offices—all are working together to serve you in this common purpose.

I know no other purpose, no other toil, worthy of America.

And now, a good night to each of you.

Halsey, Stuart Group Offer Telephone Debs.

Halsey, Stuart & Co., Inc. and associates yesterday (Aug. 12) offered $15,000,000 of Chesapeake & Potomac Telephone Co. of Baltimore City 31-year 3½% debentures due Aug. 15, 1984, at 101.52% and accrued interest, to yield 3.42%. The group won award of the issue at competitive sale on Tuesday on a bid of 100.91999%.

Net proceeds from the financing will be used by the company to repay advances from its parent company, American Telephone & Telegraph Co. These advances are expected to approximate $15,000,000 at the time the proceeds are received. The balance of the proceeds will be used for general corporate purposes.

The debentures will be redeemable at the option of the company, in whole or in part, at prices ranging from 104.52% to par, plus accrued interest.

The Chesapeake & Potomac Telephone Co. of Baltimore City furnishes telephone service within the State of Maryland, and in conjunction with other companies, between points within and points outside of the State. Services of the company also include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes. On May 31, 1953, the company had 780,451 telephones in service, of which almost 60% were in the City of Baltimore and in Baltimore and Anne Arundel Counties. About 21% of the company's telephones were located in Prince Georges and Montgomery Counties, adjacent to Washington, D. C.

Total operating revenues of the company for the five months ended May 31, 1953 aggregated $31,892,918 and net income of $3,441,327 was equal to $2.99 per share, based on the average number of shares outstanding.

Forecasts and the Market

By JOHN W. BECK

Financial Editor,

"Daily Oklahoman," Oklahoma City, Okla.

Midwestern financial writer, commenting on the numerous forecasts of the stock market, finds best measurement of over-all economic picture to be "implicit indicators," i.e. indicators corrected to a constant dollar base. Finds retail price index "most generous implicit indicator," and holds real rail earnings, based on value of dollar, is approaching an all-time low rather than nearing a high record as indicated by the figures.

An uneasy truce has created uneasy markets. Everyone wants a forecast, and not in general terms but specifically for specific things. If I knew the definite answers to such questions I would not be writing this column. No, indeed, I would know the easy road to riches, and I would take it.

John W. Beck

Forecasts are availble literally by the hundreds, both with respect to specific industries and general over-all activity. You will find them in all business magazines, and abbreviations of them in newspapers, day by day and week by week. But all these forecasts have general faults in common. Primarily, the forecaster hedges the starts with certain presumptions and makes it clear that these presumptions may not be in accord with the actual state of things. He then follows through with numerous calculations modified by "ifs" and "buts." Now it is precisely the primary presumptions and the "ifs" and "buts" that are important in the forecasts. And it is these "ifs" and "buts" that should be determined.

With so many forecasts available, financial editors generally face the problem of analyzing the forecasts rather than making forecasts. Without naming the service, I will offer some quotations from one of the more reliable current forecasts:

"Overproduction and mounting inventories appear certain to plague American business throughout the remainder of 1953. Widening supply-demand ratios in many lines will make aggressive sales promotion a necessity for scores of manufacturers and retailers in this period of increasing competition.

"(We) are currently expecting sharp downturns in the following: Automobiles, appliances, rail equipment, machinery, machine tools, freight movement, iron, steel, and home industrial construction. Production cutbacks, due to excessive backlogs, seem assured in the appliance industry. . . . Farm income is dropping. This means slackening sales for all items which farmers normally buy. . . . Loss of farm income will noticeably affect local merchants in farm areas.

"Steel production should drop to 90% of capacity, or even less, by year's end. . . . Petroleum stocks, now overproduced, will cause headaches later this summer. New orders for rail equipment are decreasing. . . . Paper, especially paperboard and building board, should show production declines in the second half (of this year). . . . Rail freight movement will drop. . . ."

The forecast quoted was released Monday, July 27. Few forecasting bureaus are so specific in detail, and so definite in predictions. The forecast goes on to say that the "analysis is hardly optimistic, yet its realism is being recognized by increasing numbers of businessmen throughout the nation."

Though this particular bureau does not publish charts, it has always seemed evident to me that they reached conclusions by applying what the economist calls "implicit indicators," which simply means they have corrected all graphs to a constant-dollar base, and this is the only possible way of determining either spot positions or trends for specific industries or the over-all economic picture. I have watched the forecast of this bureau for years, and it has been consistently accurate within all reasonable limits.

I want to conclude this column by illustrating the use of "implicit indicators," and to show how necessary they are if we hope to know where we stand and where we are going. If you have not already seen it in the news, it is only a matter of time until you will read that the net income of Class I railroads is headed for an all-time high record this year.

You will see it estimated that this income will possibly reach a figure of $950 millions, and you will see it compared with the previous all-time high for a "peacetime" year of $896,800,000 for 1929, and with $901,700,000 for the war-time year of 1942. There will be few who will stop to realize that these are numerical dollars of vastly different purchasing power, and that real earnings have to be relaetd to the goods they will buy in order to determine their worth.

The most generous implicit indicator I can give you is the index of retail prices on all commodities published by the U. S. Department of Commerce on the base 1935-39 equals 100. For 1929 the implicit indicator on that base is 122.5, for 1942 it is 116.5; and for 1953 so far it is approximately 208.5. Adjusting Class I rail income for the years in question, we have a buying power income on a constant-dollar basis for 1929 of $732,081,632; for 1942 there was a slight gain to $773,991,416; but for 1953 the corrected figure drops to $455,635,491, which in total is nearly 38% less in buying power than was the income for 1929.

From another angle, comparing the index of 1953 with 1929 directly and starting with the actual dollar earnings in 1929, we quickly see that just in order to remain even with the board in terms of buying power the net income of Class I rails for the current year would have to be $1,526,389,472 in 1953 dollars. This does not take into consideration that population has increased by 30% over the same period, and that the gross national product, subject to transportation, has increased 74% in a like time as corrected by implicit indicators.

So if we figure that rail income should be consistent on a per capita basis, the earnings for 1953 in current dollars should approach $2 billion! It can immediately be argued that truck and air transportation have cut deeply into rail business. But the increase I have noted for population difference is only 30%, while the increase in national product is 74%. It does not seem likely that truck and air transportation together have taken more than 44% from the rails in the last 24 years. I conclude that real rail earnings are approaching an all-time low rather than nearing a record high.

NYSE Members Reject Program Calling for New Commission Rates

Keith Funston, President of the New York Stock Exchange, announced Aug. 6 that the membership of the Exchange had voted against the proposed new schedule of commission rates. The vote was 573 against, 532 for.

G. Keith Funston

The rate schedule was submitted to the membership for voting on July 24. Voting continued through the close of the market on Aug. 6. For an effective decision a majority of the Exchange membership—688 out of 1,375—had to cast a vote.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard S. Crawford and William L. Haarstick have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Both were previously with Fusz-Schmelzle & Co.

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There is a significant connection between these distant spots on the great globe.

Berlin and Korea have been two of the scenes chosen by the Communist world for flagrant acts of aggression since World War II.

Today precisely these same two places present dramatic evidence of the will of free men to stay free and to make freedom work.

Unity of Free World An Essential Force

No clearer proof is needed of the power of the free world not only to defeat what is evil but also to create what is good.

We intend to keep the knowledge of that power before all men.

The essential force behind this power is the unity of the free world; and one essential basis for that unity, in turn, is economic health nourished by mutually beneficial trade. The Eighty-third Congress has shown clear understanding of this truth. This is the significance of the Congress' actions in simplifying our customs regulations and extending the Reciprocal Trade Act. These actions again testify to that growing unity of opinion which rises above party lines to see clearly the need for profitable trade throughout the free world. These actions—while consistent with concern for our own industries — recognize also our own dependence upon vital foreign markets and foreign sources of raw materials.

Again and again, as we have faced these problems of international trade and world diplomacy, we have stressed the central fact that we are concerned with the plain needs and hopes of the ordinary peoples of the earth. So we have undertaken the shipping of a million tons of wheat to help meet the famine in Pakistan. So the Congress has authorized this Government to make available excess reserves of crops to friendly nations in need and so we have authorized the entry into the United States of some 214,000 refugees. These are men and women of the same character and integrity as their and our ancestors who, generation upon generation, have come to America to find peace and work, to build for themselves new homes in freedom.

In all these ways, then — in every deed and decision — we have sought to apply our strength in the world so as to deter aggression and to secure peace. We have accepted the burdens of world leadership with clear mind and confident heart — for we know that to strengthen other free men is to serve our own freedom and safety.

I come now to the second great objective of which I spoke six months ago—the building of an honest, efficient administration, honored at home and respected abroad.

The repair and reorganization of so huge a piece of political machinery as the United States Government is a colossal undertaking.

We have made a good start.

We began with certain negative tasks.

There were some security risks still in the government. They have been swiftly expelled.

There were some incompetents. They are lingering no longer than it takes to discover them.

There were simply too many people on the payrolls. We have reduced that number by stringent hiring policies that have cut the total by many tens of thousands.

The positive task of bettering government has produced less dramatic but even more profound results.

We submitted to the 83rd Congress 10 major reorganization proposals. All 10 were approved. This is an unprecedented record.

Reorganization itself bears upon plans and practices of even wider scope. The whole area of Federal-state relationship is being put under review by a commission to bring order and sense into a field full of confusion and conflict. And within the Federal Government itself, both the Executive and the Legislative branches have worked with patience and good-will to insure that this government not be divided against itself.

This mutual consideration between Congress and the President is less tangible but more vital than any reorganization bill ever passed or ever contemplated.

Essential to coherent and consistent policy, mutual confidence can never be legislated into existence. It is no easy thing to achieve. It certainly is not easy to perfect at a time when one great party, after 20 years of political life in the Opposition, ousts another from office. Such an event casts both parties in new, strange roles. The strangeness for the party newly come to power, in this case, is dramatized by the fact that there is in the Senate today not a single Republican who had ever held Senatorial office when a Republican President was in the White House.

I mention this to underscore the significance of the goodwill which, I believe, has been built, fast and firmly, between the Executive and Legislative branches. The two have differed many times. They have debated long and candidly. But the final results testify to a prevailing common purpose which is a credit to the high sense of duty of this 83rd Congress.

Pays Tribute to Taft

That common purpose — I must add—found one of its most effective supporters in the late Senator Robert A. Taft. Its great advance was among the last and most important of his many important public achievements. Today, I know of no greater inspiration to all men seeking good, just government than the memory of his courage, his integrity and the spirit of selfless cooperation that so brilliantly marked the last months of his life.

The building of this kind of government has proceeded simultaneously with our seeking of the third great objective I cited six months ago—the encouragement of creative initiative in our economy.

This serious, long-range purpose cannot record headline-making results in a few weeks or months. But — again — I believe the bright beginnings are clear for all to see.

We have, first of all, faced the tough facts of the government debt. The last 23 years have seen this debt climb by $258 billion — at the relentless average rate of more than $11 billion a year. This, of course, includes a part of the inescapable cost of war. Yet the terrible momentum of that increasing debt could not be allowed to continue.

The Debt Limit

Neither could it instantly be arrested. The weight of obligations made two and three years ago has forced upon us, as you know, the possibility of our having to raise the debt limit later this year. For one thing is a certainty; bills already contracted by the government must be paid the day they become due.

In so critical a time of transition, we have done what honesty and good sense dictate. We delayed lowering or removing taxes which, however harsh, provide essential revenue if the tide of debt is to be turned. We did not delay in cutting deep into governmental expenditures. The Executive and the Congress reduced the previous Administration's budget request for the current year by almost $13,000,000,000—an amount representing some $80 for every American.

This striving to bring the budget under control—as I have said before—is no mere academic, technical exercise challenging government accountants. It profoundly influences the buying power of your dollar. It vitally affects every family in the land.

Our overriding concern is not with elaborate theories of economics, but the plain well-being of all the people. And the balancing of the government's budget is critical simply because it can help every family in our land to balance its own budget.

Moreover, in pursuit of this great objective of encouraging individual initiative, we have taken a series of major economic decisions. To free our economy from bonds that denatured healthy and necessary competition, we abolished a labyrinth of needless controls. To reform a tax structure that threatens to smother free initiative, the Treasury and the appropriate committees of the Congress have begun a total review of our tax system. Their recommendations will be ready for action by the next session of Congress.

Follows no Preconceived Economic Dogma

I repeat: All these actions, governed by a single purpose, are not mere gestures in honor of preconceived economic dogmas. They reflect our awareness of the mighty productive power of individual enterprise to which America itself is history's greatest testimony.

Upon the productive might of the individual American depend the wages, the diet, the health, the homes of millions of families. Upon this productive might depends even more—the preservation of freedom itself in this, its age of greatest peril.

Now, what of the fourth and last great objective which I set forth last February: that fourth objective was the dedication to the well-being and the equal opportunity of all our citizens?

This objective affects, directly or indirectly, every action of this government. For every deed of this government is tested, judged, and inspired by this resolve—to serve the well-being of 160 million Americans.

In this spirit, there has been created a new Cabinet division—a Department of Health, Education and Welfare—to carry steadily forward all the labor of care that we associate with schools, pensions, clinics, hospitals.

In this same spirit, the Congress authorized prompt emergency farm loans to our drought-stricken areas of the Southwest; and representatives of every farm area and organization have been brought together to help shape laws making our farm population more productive and more secure than ever before. Today I signed a piece of legislation which farm organizations have been seeking for many years. This new legislation provides for increased participation by farmers in the farm credit system.

Serving this same purpose, we have been preparing specific recommendations on labor legislation to submit to the next session of Congress—to make sure and clear the rights of workers and unions, to promote increased industrial output and lasting industrial peace.

Through the cooperative action of many citzens and organizations, we have prepared recommendations for the extension of old age and survivors insurance coverage to 10,500,000 Americans, that they too may be encouraged to look forward to an old age of health and independence.

We have used the power of the Federal Government, wherever it clearly extends, to combat and erase racial discrimination and segregation—so that no man of any color or creed will ever be able to cry, "This is not a free land."

These, then are some of the things we have been doing—and the reasons why.

Achieved "Little More Than a Beginning"

They all total—I repeat—only a little more than a beginning.

I know of no official of this Administration so foolish as to believe that we, who in January came to Washington, have seen and conquered all the problems of our nation.

The future, both immediate and distant, remains full of trial and hazard.

The end of our staggering economic burden is not yet in sight.

The end of the peril to peace is not clearly in view.

There is only this in sight: A firm and binding purpose that guides all our objectives—our every deed.

This purpose is to serve and to strengthen our people, all our people, in their faith in freedom and in their quest of peace; and to strengthen all other peoples who share with us that faith and that quest.

In this short summary of the record, you can see how this single, supreme purpose rules and relates foreign relations; world trade; defense appropriations; reorganization of government departments; domestic programs affecting agriculture, labor and industry; taxes; debts; tariffs.

This ruling purpose inspires all the men who are your servants in government — men from the professions, the trades, from business, from farm and factory—each representing a part of America in such a way as to make a united America.

The men and women in the Congress, the men and women in the Executive Departments, in both appointive and Civil Service offices—all are working together to serve you in this common purpose.

I know no other purpose, no other toil, worthy of America.

And now, a good night to each of you.

Halsey, Stuart Group Offer Telephone Debs.

Halsey, Stuart & Co., Inc. and associates yesterday (Aug. 12) offered $15,000,000 of Chesapeake & Potomac Telephone Co. of Baltimore City 31-year 3½% debentures due Aug. 15, 1984, at 101.52% and accrued interest, to yield 3.42%. The group won award of the issue at competitive sale on Tuesday on a bid of 100.91999%.

Net proceeds from the financing will be used by the company to repay advances from its parent company, American Telephone & Telegraph Co. These advances are expected to approximate $15,000,000 at the time the proceeds are received. The balance of the proceeds will be used for general corporate purposes.

The debentures will be redeemable at the option of the company, in whole or in part, at prices ranging from 104.52% to par, plus accrued interest.

The Chesapeake & Potomac Telephone Co. of Baltimore City furnishes telephone service within the State of Maryland, and in conjunction with other companies, between points within and points outside of the State. Services of the company also include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes. On May 31, 1953, the company had 780,451 telephones in service, of which almost 60% were in the City of Baltimore and in Baltimore and Anne Arundel Counties. About 21% of the company's telephones were located in Prince Georges and Montgomery Counties, adjacent to Washington, D. C.

Total operating revenues of the company for the five months ended May 31, 1953 aggregated $31,892,918 and net income of $3,441,327 was equal to $2.99 per share, based on the average number of shares outstanding.

Forecasts and the Market

By JOHN W. BECK

Financial Editor, "Daily Oklahoman," Oklahoma City, Okla.

Midwestern financial writer, commenting on the numerous forecasts of the stock market, finds best measurement of over-all economic picture to be "implicit indicators," i.e. indicators corrected to a constant dollar base. Finds retail price index "most generous implicit indicator," and holds real rail earnings, based on value of dollar, is approaching an all-time low rather than nearing a high record as indicated by the figures.

An uneasy truce has created uneasy markets. Everyone wants a forecast, and not in general terms but specifically for specific things. If I knew the definite answers to such questions I would not be writing this column. No, indeed, I would know the easy road to riches, and I would take it.

John W. Beck

Forecasts are availble literally by the hundreds, both with respect to specific industries and general over-all activity. You will find them in all business magazines, and abbreviations of them in newspapers, day by day and week by week. But all these forecasts have general faults in common. Primarily, the forecaster hedges the starts with certain presumptions and makes it clear that these presumptions may not be in accord with the actual state of things. He then follows through with numerous calculations modified by "ifs" and "buts." Now it is precisely the primary presumptions and the "ifs" and "buts" that are important in the forecasts. And it is these "ifs" and "buts" that should be determined.

With so many forecasts available, financial editors generally face the problem of analyzing the forecasts rather than making forecasts. Without naming the service, I will offer some quotations from one of the more reliable current forecasts:

"Overproduction and mounting inventories appear certain to plague American business throughout the remainder of 1953. Widening supply-demand ratios in many lines will make aggressive sales promotion a necessity for scores of manufacturers and retailers in this period of increasing competition.

"(We) are currently expecting sharp downturns in the following: Automobiles, appliances, rail equipment, machinery, machine tools, freight movement, iron, steel, and home industrial construction. Production cutbacks, due to excessive backlogs, seem assured in the appliance industry. . . . Farm income is dropping. This means slackening sales for all items which farmers normally buy. . . . Loss of farm income will noticeably affect local merchants in farm areas.

"Steel production should drop to 90% of capacity, or even less, by year's end. . . . Petroleum stocks, now overproduced, will cause headaches later this summer. New orders for rail equipment are decreasing. . . . Paper, especially paperboard and building board, should show production declines in the second half (of this year). . . . Rail freight movement will drop. . . ."

The forecast quoted was released Monday, July 27. Few forecasting bureaus are so specific in detail, and so definite in predictions. The forecast goes on to say that the "analysis is hardly optimistic, yet its realism is being recognized by increasing numbers of businessmen throughout the nation."

Though this particular bureau does not publish charts, it has always seemed evident to me that they reached conclusions by applying what the economist calls "implicit indicators," which simply means they have corrected all graphs to a constant-dollar base, and this is the only possible way of determining either spot positions or trends for specific industries or the over-all economic picture. I have watched the forecast of this bureau for years, and it has been consistently accurate within all reasonable limits.

I want to conclude this column by illustrating the use of "implicit indicators," and to show how necessary they are if we hope to know where we stand and where we are going. If you have not already seen it in the news, it is only a matter of time until you will read that the net income of Class I railroads is headed for an all-time high record this year.

You will see it estimated that this income will possibly reach a figure of $950 millions, and you will see it compared with the previous all-time high for a "peacetime" year of $896,800,000 for 1929, and with $901,700,000 for the war-time year of 1942. There will be few who will stop to realize that these are numerical dollars of vastly different purchasing power, and that real earnings have to be relaetd to the goods they will buy in order to determine their worth.

The most generous implicit indicator I can give you is the index of retail prices on all commodities published by the U. S. Department of Commerce on the base 1935-39 equals 100. For 1929 the implicit indicator on that base is 122.5, for 1942 it is 116.5; and for 1953 so far it is approximately 208.5. Adjusting Class I rail income for the years in question, we have a buying power income on a constant-dollar basis for 1929 of $732,081,632; for 1942 there was a slight gain to $773,991,416; but for 1953 the corrected figure drops to $455,635,491, which in total is nearly 38% less in buying power than was the income for 1929.

From another angle, comparing the index of 1953 with 1929 directly and starting with the actual dollar earnings in 1929, we quickly see that just in order to remain even with the board in terms of buying power the net income of Class I rails for the current year would have to be $1,526,389,472 in 1953 dollars. This does not take into consideration that population has increased by 30% over the same period, and that the gross national product, subject to transportation, has increased 74% in a like time as corrected by implicit indicators.

So if we figure that rail income should be consistent on a per capita basis, the earnings for 1953 in current dollars should approach $2 billion! It can immediately be argued that truck and air transportation have cut deeply into rail business. But the increase I have noted for population difference is only 30%, while the increase in national product is 74%. It does not seem likely that truck and air transportation together have taken more than 44% from the rails in the last 24 years. I conclude that real rail earnings are approaching an all-time low rather than nearing a record high.

NYSE Members Reject Program Calling for New Commission Rates

Keith Funston, President of the New York Stock Exchange, announced Aug. 6 that the membership of the Exchange had voted against the proposed new schedule of commission rates. The vote was 573 against, 532 for.

G. Keith Funston

The rate schedule was submitted to the membership for voting on July 24. Voting continued through the close of the market on Aug. 6. For an effective decision a majority of the Exchange membership—688 out of 1,375—had to cast a vote.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard S. Crawford and William L. Haarstick have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Both were previously with Fusz-Schmelzle & Co.

The Commonwealth Economic Plan

By PAUL EINZIG

Commenting on the Commonwealth Economic Plan which was drawn up at the London Conference last November, Dr. Einzig finds the major snags in the plan are: (1) lack of systematic intervention to prevent wide fluctuations in sterling; and (2) attempt to discriminate between "old" and "new" sterling in regard to convertibility. Says fate of "the ill-conceived plan" rests in hands of United States.

LONDON, Eng. — For eight months the Economic Plan that emerged from the London meeting of Commonwealth Finance Ministers in November, 1952 remained a closely guarded secret; indeed one of the best kept secrets of recent times. This was all the more remarkable as the Plan was communicated to a number of governments which are usually much more communicative to the Press than the British Government. In spite of this until quite recently very little information transpired about the details of the Plan beyond those announced in the vague statement issued at the end of thee Conference. During the last week of July, however, a fairly comprehensive summary, which appears to be authentic, managed to find its way into the Press. As a result it has become possible at last to examine the Plan critically.

Dr. Paul Einzig

The Plan distinguishes between three phases in the progress towards convertibility. The first phase is that of the period of negotiations, during the course of which the British Government would seek to win the support of the United States Government and the Western European Governments for the Commonwealth Plan. The European Payments Union would continue to operate during this phase. The second phase is called the interim period during which sterling would be made convertible but discrimination against dollar imports would continue. A number of European currencies too would be made convertible and the European Payments Union would be confined to those European currencies which would remain inconvertible. Sterling's convertibility would be confined to sterling acquired after a certain date, whether through commercial transactions or capital transactions. Sterling acquired prior to that date would remain inconvertible.

During the interim period sterling would be unpegged and would be allowed to fluctuate. Although the authorities would intervene to prevent excessive fluctuations, no official limits to these fluctuations would be announced.

During the third and final period all trade discriminations would be removed. A supra-international Advisory Board would advise the participating governments in respect of their trade and foreign exchange policies and also in respect of their domestic policies that are liable to affect their foreign exchange position.

The achievement of balanced domestic monetary positions is considered one of the preliminary conditions. The other conditions are the adoption of a "good creditor policy" on the part of the United States and the reinforcement of the dollar reserves available for the support of sterling. The adoption of good creditor policy would imply a lowering of the tariff wall, a revision of the American Customs formalities, the repeal of the Buy American Act and the discontinuation of the prevailing practice under which the proceeds of certain dollar loans have to be spent in the United States.

Under the Plan the dollar resources would be increased partly through a re-interpretation of the Bretton Woods rules by the International Monetary Fund and partly through an increase of the American quota in the Fund. Under the re-interpretation the rule by which no member government can draw in any one year more than 25% of its quota, would be repealed.

On the face of it the details of the Commonwealth Plan do not indicate the reason for the exceptional degree of secrecy with which the Plan has hitherto been surrounded. If it had included provisions for a devaluation or revaluation of sterling or even the fixing of new official limits to its fluctuations, the secrecy would be easily understandable. Speculators could take advantage of any such information to the detriment of the British authorities and of the British economy. It is inconceivable, however, that even the shrewdest speculator could possibly turn to his advantage the knowledge that at some distant and uncertain date sterling might be allowed to fluctuate freely, without any limits to its fluctuations announced. It is humanly impossible to foresee whether if and when that moment should arise sterling would appreciate or depreciate.

The explanation of the importance attached to the floating pound by the Commonwealth Plan lies in the assumption that it would be easier to safeguard the Sterling Area gold reserve if sterling were to be allowed to find its own level. This assumption appears to be entirely mistaken. It is true holders of sterling would be discouraged from converting their holdings into dollars if as a result of a depreciation of sterling they would get fewer dollars for their holdings—provided that the depreciation reached a stage beyond which they do not expect it to continue. Before that stage is reached many of them would hasten to liquidate their holdings. What is perhaps even more important, the depreciation of sterling would not affect the attitude of those who would want to acquire sterling for the purpose of converting it into dollars. For as they would be acquiring sterling on the basis of its depreciated exchange value, its depreciation in relation to the dollar would not affect the result of their transactions.

It seems probable, therefore, that in the absence of official intervention to support sterling in the open market, it would in given circumstances depreciate very considerably. Admittedly on repeated occasions during the '30's sterling experienced sharp temporary depreciations without any ill-effect in the long run. Those in favor of a floating pound assume that history would repeat itself. What they appear to overlook is that conditions today are totally different from those prevailing 20 years ago. As a result of full employment, the development of the Welfare State, and the increase of the political influence of the Labor Movement the Trade Unions are today in an incomparably stronger bargaining position than they had been during the '30's. If as a result of a sharp depreciation of sterling there should be a rise in domestic prices there would be a wave of wages demands which employers would not be in a position to refuse. On the other hand any effort to lower the wage level as a result of a fall in domestic prices that would be caused by a sharp appreciation of sterling would be doomed to failure. Each time sterling depreciated the cost of production would rise, but it would never fall to the same extent on the occasions when sterling appreciated. British exports would find themselves outpriced in foreign markets and the balance of payments would deteriorate.

Wide fluctuations of sterling could only be prevented by means of systematic official intervention. If, however, the authorities were to support sterling systematically at no matter what level they would have to use up gold. There is no means of foretelling whether their losses would be larger or smaller after a depreciation of sterling.

Another major snag in the plan is the attempt to discriminate between "old" and "new" sterling, in regard to convertibility. Such a discrimination would be, if anything, even less practicable than discrimination between current transactions and capital transactions. Once the flood-gates are opened at one point the fact that they remained closed at other points would make no difference to the extent of flooding.

The fate of this ill-conceived plan rests in the hands of the United States, without whose active collaboration it could not be attempted. It is for the Washington Administration to decide whether it prefers a fluctuating convertible sterling to a rigidly pegged inconvertible sterling. If the lessons of the '30's when the fluctuations of sterling caused immeasurable harm to the American economy, have not been forgotten, the United States Government will not find it difficult to make up its mind.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

The syndicate headed by Halsey, Stuart & Co. Inc. on Aug. 11 offered $7,650,000 of Louisville & Nashville RR. 3¼% equipment trust certificates, series M, maturing Aug. 15, 1954 to 1968, inclusive. The certificates, the first installment of a proposed issue of $9,645,000, are priced to yield from 2.90% to 3.35%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment, estimated to cost not less than $12,075,000: 1,500 50-ton box cars and 250 95-ton ore cars. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Other members of the offering group are—R. W. Pressprich & Co.; L. F. Rothschild & Co.; Blair, Rollins & Co. Inc.; Baxter, Williams & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son Inc.; The Illinois Co.; First of Michigan Corp.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

A. L. Stamm to Admit

Alfred R. Stamm will be admitted to partnership in A. L. Stamm & Co., 120 Broadway, New York City, members of the New York Stock Exchange on Sept. 1.

LETTER TO THE EDITOR:

Frederick G. Shull Answers Carroll Dunscombe on Gold Price

Says latter's letter to "Chronicle" gives no sound evidence for increase in price of gold, but, on contrary, contains material which strongly supports theory present official price should be let alone.

Editor, Commercial and Financial Chronicle:

Your issue of July 30 carries a Letter-to-the-Editor by Mr. Carroll Dunscombe (Stuart, Fla.), the evident purpose of which is to prove that the official price of gold should be increased to some such figure as $70 an ounce. Careful reading of that letter, however, brings to light no sound evidence in support of the ill-advised theory that the gold price should be further tampered with—in fact the letter contains some material which, in itself, strongly supports the theory that the $35 official price of gold should be let alone.

Frederick G. Shull

After a rather elaborate presentation of alleged happenings to the price of zinc in certain foreign countries (which, of course, has nothing to do with the status of gold as a monetary metal), Mr. Dunscombe jumps to the following astounding statement:

"Nor does this self appointed Gold Standard League appear to appreciate that citizens of those countries who have been swindled time and again by having their money devalued, have no confidence in that money and the only thing they can rely upon is gold and so, in violation of the law, it is purchased and hoarded." It seems hardly necessary to say that it was awareness of the "swindle" occasioned by the "devaluing" of money that brought the Gold Standard League into existence some few year ago.

Mr. Dunscombe is entirely correct that "citizens . . . have been swindled time and again by having their money devalued"—an outstanding example being the citizens of the United States, who were "swindled" of 41% of the real value of their money when our Government raised the official price of gold from $20.67 to $35 an ounce in 1933-34. And holding such action to be a "swindle," how does Mr. Dunscombe reconcile his expressed feeling that the price of gold should be "increased to say $70 an ounce?" Is it possible that he is unaware that the official price of gold cannot be raised in terms of dollars without its automatically "devaluing" the Dollar itself? Why, in his own words, he has pointed out that citizens "have been swindled time and again" by that process. And is he unaware that Americans own upward of $500 billion—all payable in fixed numbers of dollars—in the form of bank deposits, government bonds and life insurance benefits, which would be robbed of 50% of their real "value" if the official price of gold were raised to $70 an ounce? Maybe Mr. Dunscombe will explain his technique by which the dollar-price of gold can be raised without its "devaluating" the Dollar itself.

FREDERICK G. SHULL
Connecticut State Chairman
Gold Standard League
2009 Chapel St.,
New Haven 15, Conn.
Aug. 2, 1953

LETTER TO THE EDITOR:

Supports Mr. Cortney On Price of Gold

James V. Polacek of Owatonna, Minn., says there is nothing sacrosanct about the price of $35.00 per ounce, and holds dollar has already been devalued in terms of gold.

Editor, The Commercial and Financial Chronicle:

I am interested to see that a discussion is developing on "The Price of Gold" article by Mr. Philip Cortney which appeared in your issue of June 11. I should like to see the discussion continued as this is a most important article at this time.

As Mr. Cortney warned it is a subject mixed up with a great deal of emotionalism. I thought I discovered an unpleasant note by Mr. Frederick Shull ("Chronicle" of June 25, page 19). Just what was the idea back of the reference to "a well known cosmetic manufacturer"? Was one to infer that a cosmetic manufacturer could not be expected to have ideas on the subject entitled to consideration?

There are two points that need to be developed. One is that there is nothing sacrosanct about the price of $35.00 per ounce and the other is that so much has been done to the currency that it cannot have the same value as before 1939. What needs to be done is not a devaluation of the dollar but a recognition of the fact that the dollar has been devalued in terms of gold and that fact must be recognized before complications set in.

I agree thoroughly with Mr. Cortney that if the proper moves had been made in the period 1923-1925, much of the misery that went after that would have been avoided, and would go so far as to say that this failure was a factor leading up to the second World War.

We need a restoration of the gold standard but if an attempt is made to squeeze things back this time, the period 1929-1939 will appear mild indeed.

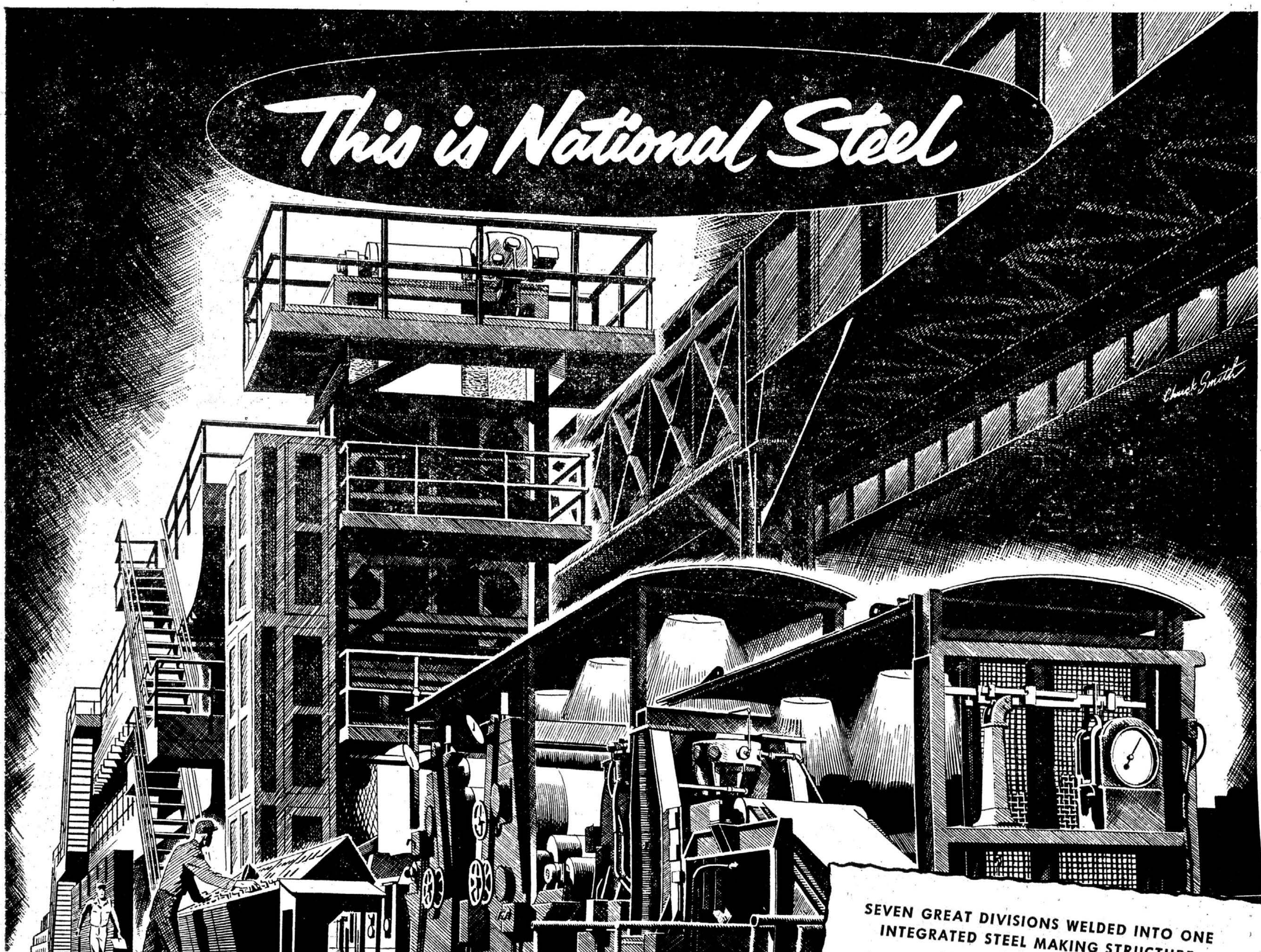
Some of us in the Midwest have memories of the U. S. Judge who marched down an Iowa road with a rope around his neck when he undertook to foreclose an Iowa farmer.

JAMES V. POLACEK,
Tonnahope Farm, Route 2,
Owatonna, Minnesota.

J. M. Elias Opens

(Special to THE FINANCIAL CHRONICLE)

KEY WEST, Fla. — Jacob M. Elias has opened offices at 613½ Duval Street to engage in the securities business. Mr. Elias was formerly Key West representative for Oakes & Company.



Pioneering better ways to better tin plate in the world's largest mill

An outstanding example of the great progress in steel technology is shown in the illustration above. It is the new No. 4 electrolytic tinplate line at National's division, the Weirton Steel Company . . . the first line capable of applying a protective coating of tin to a strip of steel moving continuously at a speed of 2,000 feet per minute. No. 4 has a larger capacity than any other electrolytic line and, appropriately, is housed in the largest single tinplate mill in the world.

The commercial production of electrolytic tin plate is little more than 10 years old. Today, the greater part of all tin plate is made by this method. A further advance was achieved by discovery of the way to produce "differential" tin plate which has a heavier coating on one side and a lighter coating on the other . . . affording full protection with a large saving in scarce tin.

Despite sharply increased overall costs of manufacture, through these two developments the cost of tin plate used in containers has been held down to a negligible fraction of the total cost to consumers of food and other products.

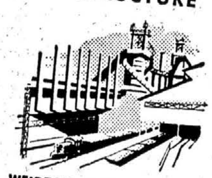
National pioneered in development of the electrolytic method. It is the originator of "differential" tin plate. These are two of many reasons why National . . . entirely independent, completely integrated and one of America's largest steel producers . . . has earned its reputation as a steel leader.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS

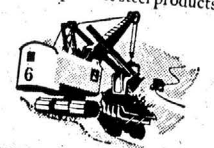
SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL MAKING STRUCTURE

GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.



WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

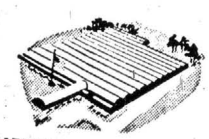
STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset buildings and Stran-Steel nailable framing.



HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.

NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

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Money Market Prospects

cial banks without subjecting them to serious pressure. In fact, member banks held an appreciable amount of net surplus (free) legal reserve until mid-year 1952. The increase in required reserves and of currency in circulation were almost met by a gain in the gold stock, so that little increase in Reserve Bank credit was needed.

Another turn of the screw took place during the last half of 1952 with the result that yields on Governments resumed their upward course. Treasury bills rose from 1.70% to 2.13%; 3- to 5-year issues from 2.04% to 2.30%; and U. S. long-terms from 2.61% to 2.75%. Whereas excess legal reserves of member (commercial) banks had been substantially larger than their borrowings at the Reserve Banks for nearly two decades, the opposite situation developed in July. That is, a net reserve surplus turned into a net reserve deficit which rose to over $900 million in the last quarter. This was indeed a new epoch. Sizable increases in currency in circulation and in required legal reserves were relieved only in part by Reserve Bank purchases of U. S. securities. Once again the discount windows of the Reserve Banks became active. By December average borrowings were $1.6 billion, and for a time exceeded $2 billion—the largest volume since 1920.

This brings us to money market developments during 1953—one of the most dynamic periods that history records. It has witnessed a rise of Treasury bill rates from under 2% in January to a peak of 2.42% on June 2; of 3- to 5-year issues from 2.3% to over 3%; and of long-term Governments from 2¾% to 3¼%. Prime commercial paper rates rose from 2.3% to 2.75%. In terms of price, the War Loan 2½s, 1967-1972, dropped from 97 in November, 1952, to 90 in early June—enough to disturb the sleep of officers of institutional investors. Corporates and municipals, especially the latter, also declined heavily.

Now what were the reasons for this marked rise of interest rates? To begin with, the demands on the capital market during the first half were exceedingly heavy. Business corporations, mortgagors, the Federal Government, and State and local governments raised about $11 billion net of retirements — $1½ billion more than in the first half of 1952. Part of this borrowing was in anticipation of higher rates to come, thereby magnifying current demands and rate increases. Personal and corporate savings were also higher, but still inadequate to meet loan demands at existing rates.

With reference to the short-term market, commercial banks were subjected to considerable liquidity pressure. Member bank borrowings held well above $1 billion into May, and the net reserve deficit position remained. The Federal Reserve authorities, aided by an outflow of gold, held the reins taut by the sale of U. S. securities. Member banks in leading cities disposed of $3.6 billion of U. S. securities through May while they expanded loans $1 billion.

In addition to these statistical facts, the investment market was confronted with great uncertainties, especially during the second quarter. It became clear that the Treasury would have to raise between $9 and $12 billion of new money during the second half in the face of a continued private, State, and local demand of record proportions. This was against the background of repeated Federal Reserve and Treasury statements concerning the new era of a free market for Governments and of sound money policies. The Treasury had issued the 30-year 3¼s on May 1 in line with its program of extending maturities. Would more long-terms be offered in the near future in competition with private long-term credit demands? Also, to what extent would the Reserve authorities release reserves to commercial banks to finance Treasury needs combined with the seasonal expansion of loans and currency during the second half?

A suggestion of the answer came in the second week of May when the Federal Reserve began to ease the market by the purchase of Treasury bills in the open market. By July 8, about $1.2 billion had been released to bank reserves in this manner. A more convincing answer came on June 24 when the Federal Reserve Board announced that member bank legal reserve requirements would be reduced two percentage points in central reserve cities and one point elsewhere, wholly effective on July 9. This released another $1.2 billion of bank reserves and also increased the multiple by which a dollar of reserve money can be expanded in the form of demand deposits by the banking system — from about $5.40 to $5.80.

At the time of announcement of the reduction in reserve requirements the Board made a significant statement as follows:

"This step was taken in pursuance of Federal Reserve policy, designed to make available the reserve funds necessary to meet the essential needs of the economy and to help maintain stability of the dollar. The reduction . . . was made in anticipation of the exceptionally heavy demands on bank reserves which will develop in the near future when seasonal requirements of the economy will expand and Treasury financing in large volume is inescapable. The action is intended to provide assurance that these needs will be met without undue strain on the economy and is in conformity with System policy of contributing to the objective of sustaining economic equilibrium at high levels of production and employment."

Turning now to debt management, the Treasury's experience with the 30-year 3¼s, together with the general tightness of the capital market, led it to abandon at least temporarily its earlier policy of extending maturities. Funds have been raised by borrowing over $1 billion directly from the Federal Reserve Bank of New York in the first half of June; by selling $5.9 billion 2½% Tax Anticipation Certificates of Indebtedness, dated July 15 and maturing March 22, 1954; and by enlarging the weekly offering of bills. There is no likelihood of a long-term issue during the remainder of 1953.

These decidedly less stringent monetary and debt management policies since May have been reflected in both the reserve position of the commercial banks and the interest rate level. In June the member banks saw their net reserve deficit, which had ranged between $400 and $900 million for almost a year, turn into a net reserve surplus of about the same magnitude. This decidedly easier reserve position has been maintained throughout July.

Treasury bills, influenced by Reserve Bank purchases, declined from their peak of 2.4% on June 1 to below 2%, and at the end of July stood just over 2%. Yields on long-term Governments dropped about ¼%; corporates and municipals about 0.15%. In terms of price the new 30-year 3¼s recovered from their low of 98 14/32 to just above par, and the 2½s of 1967-1972 rose from 90 to their present 93.

The wisdom of the easier Reserve and Treasury policies pursued since May have been hotly debated. Opponents contend that under boom conditions price inflation is still a serious threat, especially during the remainder of 1953 when the money supply will be enlarged by the expansion of bank loans and investments. Restrictive credit and debt management policies should therefore be pursued.

Proponents of the new policies argue that the prevailing threat to the economy is no longer inflation, but rather recession and deflation. We have largely grown up to our war-created money supply as evidenced by the decline of wholesale prices since the first quarter of 1951. After seven years of great prosperity, a decline in business investment, construction, and consumers' expenditures for durable goods is a reasonable expectation. When to this is added a reduction of Federal defense expenditures, a recession in 1954 is, they believe, a strong probability.

While one need not adopt the extreme of either view, I am sympathetic to the latter at this time. Especially since the Korean truce, this is no time to get tough on the financial front. The time to have been tough was muffed during the war, and in 1947, 1948 and 1950. Present policies seem appropriate to existing conditions, but they should be flexibly adapted to new conditions as they unfold, including evidences of price inflation.

The Interest Rate Outlook

This brings us to the difficult but necessary stage of analyzing future probabilities. My own views may be summarized as follows:

First, private, State and local credit demands, are likely to remain at present record levels during the remainder of 1953.

Second, the Federal Government expects to borrow between $4 and $6 billion of new money in addition to some $22 billion of refundings during the remainder of 1953.

Third, taken together these demands materially exceed the flow of personal and corporate savings, even though savings are at record levels.

Fourth, in order to avoid higher interest rates by the year-end, the Reserve authorities will have to release over $3 billion more reserve money to the commercial banks. This estimate allows during the last half for an increase of demand deposits of $15 billion, a rise of currency of $1.4 billion, an increase of time deposits of $1.5 billion, the gold loss of $210 million to July 22, and $350 million of free reserves. Also, in order to avoid higher yields in the bond market, the Treasury will have to refrain from competing with private, State and local borrowers; in other words, borrow at short-term from the commercial and Federal Reserve banks. Both the Federal Reserve and the Treasury will do these things, in my opinion, with the result that the money rate structure will remain at about the current level for the rest of the year. Signing of the truce makes this prospect all the more probable.

Fifth, the Reserve authorities may be expected to loosen or tighten their reins depending on basic developments as reflected in commodity prices, employment, production, inventories, orders, bank loans, bond prices, stock prices, and other measures. That is, evidences of recession should bring lower interest rates, and evidences of inflation should bring higher rates.

Last, during the first half of 1954 seasonal factors will foster an easier money market. Currency will return from circulation, bank loans will contract, and the Treasury will have a cash surplus. In addition, there is the possibility of some business recession. Hence, unless the Reserve authorities see reasons for positive actions to forestall inflation, the path appears clear for no higher—perhaps even lower—rates during the first half of 1954.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The fact that the August refunding was very well received, coupled with the slowdown in new offerings of non-government securities, have been favorable developments as far as the market for Treasury issues is concerned. Volume and activity have held up rather well considering the time of the year, although there are no indications yet that the market for long-term obligations has broadened to the extent that a new issue would be welcome news. The main market is still in the short-term securities even though some hardening of rates in these securities would not be unexpected in the not distant future. A seasonal pick-up in loans is given as the reason for a possible increase in near-term rates.

The 3½% due 6/15/78-83, has been the best acting issue among the longer term obligations, with the demand not being dulled to any great extent by the advance in price to new highs. Tax switchers are still an important force as far as volume and activity are concerned. The intermediate-term issues have given some ground because of the talk of a security of this type being used in the September refunding.

Market Cautiously Optimistic

The government market seems to be developing a feeling of confidence which has been evidenced in a better tone for most of the obligations in the list. However, this change of attitude does not yet appear to have reached the point where large scale offerings of Treasury issues, especially the longer-term ones, could be made with the feeling that they would be readily absorbed by investors. Accordingly, while there may be further advances in quotations in the various outstanding marketable obligations, there is a tendency nonetheless among some buyers of Treasury securities to be not too aggressive in building up positions in these issues. They feel that the seasonal increase in loans will tend to take some of the demand out of the government market and this, along with the resumption of activity in the corporate and municipal markets in the fall, will have an influence upon the action of Treasury obligations. Likewise, there is the September refunding which some believe will give a clearer picture of what is likely to develop as far as the future course of the government market is concerned. As a result, there is an inclination among this group to hold fairly close to the sidelines.

New 3¼s Continue in Demand

The demand for the 3¼s has been very stable and in some instances it has been rather sizable, with the buyers at times showing a willingness to step up prices in order to get the bonds they are after. On the other side of the picture, it seems as though most of the speculators have been shaken out and those that were inclined to sell in an advancing market have pulled out of the picture for the time being at least. As a result the offering side of the market has been thin. Private pension funds as well as the various state funds have been the principal buyers of this bond, with some help being reported from charitable organizations and individuals. It is also indicated that traders and dealers have been active in this issue, a development that has helped the market action of the bond.

Savings Banks Mortgage Conscious

Savings banks, according to advices, have been somewhat more active as far as the government market is concerned although it is reported that they still are sellers of Treasury securities on balance. These institutions, it seems, continue to move out of governments in many instances in order to get funds that are being put to work in mortgages. Tax switches are as important as ever to these banks with some large scale operations being made from time to time, according to reports.

Life insurance companies, that is the smaller ones, have been sellers of short governments with the money being reinvested in corporate and municipal obligations. There have also been reports that some averaging down has been done by these companies with the longer 2½s being the issue involved in this operation.

Commerical Banks Favor Liquidity

Commercial banks are still very much on the near-term side of the market, but continue to make limited commitments in the intermediate term obligations as they move down in price. There are also reports of buying of 3¼s by these banks, mainly those away from the large money centers.

The 2¼% due 6/15/59-62 still seems to be a well liked bond as far as many investors are concerned, with tax operations showing this obligation a favored issue for the replacement of funds. Volume and activity, it is indicated, have been fairly sizable in the 2¼s at times.

What the effects will be of no change in the debt limit cannot be forecast at this time. However, the feeling seems to be quite prevalent that it should not be unfavorable as far as the government market is concerned.

The August refunding operation had a favorable influence upon the market and, according to reports, the owners of the 2% certificates were well pleased with the 2⅝% coupon rate given them in the exchange.

Continued from first page

As We See It

the national level. The fact is that unless ways and means are found to reduce expenditures very much more substantially than is as yet the case, considerably more revenue must be raised through taxation if we are to reach a sound financial footing. There could be no safe reduction of consequence in the tax take during the next few years even if the Administration succeeded in cutting outlays fully as deeply as any one in his right senses believes now that it can.

Too Much Progressiveness!

A second observation is that the Administration and our lawmakers would do well at the very outset to cast overboard the extreme nonsense so common for so long in this country about the virtues of progressiveness in taxation. The fact is that the "rich" are already being "soaked" to the limit. It is not only unjust, it is futile to try to squeeze more out of them. Good sense demands, on the contrary, that a substantial part of the "progressiveness" already imbedded in our tax structure be abandoned forthwith. We now not only over tax the rich; we seriously overburden the younger and more active men who are striving to get rich—and this is a far more grievous drain on the economy.

The extreme, almost bizarre, progressiveness of our existing Federal system is, of course, the embodiment of a socialistic conception and interpretation of the "ability to pay" precept first laid down by Adam Smith just as we were beginning our struggle for independence. What Smith actually said was as follows:

"The subjects of every state ought to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation."

To the ordinary man this would seem to mean that an individual enjoying an income of, say, $100,000 under the protection of the state should pay ten times as much toward the expenses of the state as another who has only $10,000 income. That is to say, if the latter is called upon to pay $1,000 in taxes the former should be expected to pay $10,000. Obviously, this is not the interpretation that is common today. Now, it may well be that wisdom and justice demand that present practice go much further than the original author of the "ability to pay" idea, but, if so, the new system should not try eternally to masquerade under the aegis of Adam Smith. On the contrary, it should be recognized and plainly labeled as originating in the minds of socialists or semi-socialists whose notions and economic ideals are usually the very antithesis of those of Smith, who, of course, spoke the language of the founding fathers.

In any event, neither Smith nor common sense would or could defend a system of taxation which calls upon $100,000 income to pay twenty-five times what the $10,000 income must bear, or which calls upon the half million dollar income to pay two hundred times as much as the $10,000 income. There is a very real reason why such rates as these should be sedulously avoided. To indicate what some of the objections to them are, we may quote from this same passage from Adam Smith which (in a perverted way) has become the bible of many who would have nothing to do with the author except when he can be effectively used for propaganda. Here is Adam Smith's famous fourth principle of taxation:

"Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways.

"First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people.

"Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may thus diminish, or perhaps destroy some of the funds which might enable them more easily to do so.

"Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have received from the employment of their capitals. An injudicious tax offers great temptation to smuggling. But the penalties of smuggling must rise in proportion to the temptation. The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it; and it commonly enhances the punishment, too, in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime.

"Fourthly, by subjecting the people to the frequent visits and the odious examination of the tax gatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. It is in some one or other of these four different ways that taxes are frequently so much more burdensome to the people than they are beneficial to the sovereign."

The implications of a surrender of the extremes of current progressiveness of our tax system are, of course, far reaching—much more so than we have space here to delineate. Such a change, of itself, would require a redrafting of much if not most of our tax system. There are, of course, other facets of this tax renovation problem, and to them we shall turn from time to time. The first task, though, is to search out and to eliminate the infirmities that have found their way into our tax structure by virtue of the New Deal worship of the principle of infinite progressiveness in the levy of taxes.

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A Monetary Standard Can Be Maintained on a National Basis

privilege to try to save gold money, during the long period when no governmental policy in the land interfered with this right of a free people. It is well known, of course, that a Frenchman's right to possess gold has not yet been denied him. Her thrifty element made possible France's astonishingly quick payment of Bismarck's billion dollar levy at the end of the War of 1870-1871.

In 1872, Germany announced a change from its policy of employing a silver standard to one of employing a gold standard.

Occasionally afterwards, prior to 1914, the Bank of Germany showed a reluctance to pay gold on demand, not absolutely refusing, but putting obstacles in the way. During this period and earlier France asserted her right to pay in silver. Stocks of gold in Russia and Austria-Hungary were unavailable for international payments. — **See Walter Bagehot's "Lombard Street."** To a greater or a lesser degree France's or Germany's failure to maintain a monetary standard was matched throughout Europe.

In the United States of America we attempted to regulate the value of foreign coins in 1789 and again in 1793. We failed to control by rule the degree of quality in these monetary pieces. Essential parts of our currency as they were during our early years, nevertheless, their circulation among us, which took place until 1857, lasted long after we needed it and greatly hampered sound business intercourse.

On April 2, 1792, we adopted by law, for the first time in history, "a bimetallic standard with all the requisite features of free and unlimited coinage" of both silver and gold, "giving full legal tender power to both." **(See "A History of Currency in the United States," by A. Barton Hepburn, p. 45.)** Although the effort lasted 108 years, we completely failed in this undertaking. No more in 1792 than when Locke reasoned on the matter about a century earlier could we have hoped to succeed; for the conditions governing such an effort do not change.

As previously indicated, in the year 1900 we abandoned our vain attempt to maintain a bimetallic standard. For accuracy's sake, it should be said that the Congress legislated to adopt the single standard, gold, in 1872, only to amend the law passed to that effect so as to restore bimetallism, in 1873—"Hepburn," p. 272. Our success in maintaining the gold standard from 1900 to 1933 cannot be questioned.

In the two periods above considered, not once did these United States show so much as slight intention to interfere with the freest use of sound money. A great shortcoming, it is true, was our failure, prior to our Civil War, to enforce the general fulfillment of the widely circulating promises to pay money known as bills of credit or bank notes. We suffered greatly, also, from our mistaken policy of "greenbackism" from 1862 to 1879. As with England, so with us, this matter of sound money generally never, unless in the last days of "greenbackism," exerted an influence on our policies.

England's record until 1914 was far better than was ours. Yet one great error by this country stands out.

Early in 1797, when William Pitt, the Younger, was Prime Minister, the Bank of England was enjoined from paying specie until the will of Parliament could be known. By parliamentary extensions, the injunction, ever since known as the Bank Restriction, was continued until 1821. Owing chiefly to the deplorable state of the government's finances, and owing secondarily to a fear of Ireland's invasion by Napoleon, this unfortunate step was taken.

A grave criticism of the government for remaining off the path of honor for 24 years seems to rest upon the following by the late Henry Adams in his notable essay on the "Restriction" (pp. 189-190). He said that when Parliament met again in the autumn of 1797,

"The Bank directors announced themselves ready to resume payments (in gold and silver) if the political circumstances of the country render them expedient."

In his great "Lombard Street," the late Walter Bagehot lamented the present ill effects of the "Restriction" on the Bank of England.

These two impressive observations enable one to contrast the following of expedience to a due consideration of what was right. Costly though the action was, it was never excused by noting the absence of "sound money generally."

In 1821, England resumed the way of honor by lifting the "Restriction." The former gold unit of value was not changed. Moreover, this action took place without generally stable conditions abroad, and without a delay until some favorable change should come in domestic prices, credit, etc. Perhaps in these hectic times it should be observed that it took place without an international monetary agreement. From that memorable year until 1914 the world had the example of maintenance of a monetary standard and of great helpful world leadership in finance such as in all history no people except old "John Bull's" ever furnished.

When, at the outbreak of World War I, in the summer of 1914, the United Kingdom gave up its pledged honor, among the highest authorities in both Great Britain and America were those who considered unnecessary this action creating a condition called a moratorium. In his "War and Lombard Street," p. 53, (December 1914), the eminent Englishman Mr. Hartley Withers, made the following statement:

"All over the world the bill on England is well-known and welcome, chiefly owing to England' mighty world-wide trade and th fact that a claim can always b turned into gold, except when w have a moratorium, which ha happened only once and then i was unnecessary."

On March 14, 1900, by an Act o Congress, the United States o America adopted the gold standard. No more than England had about four score years earlier, di we enter upon such a course with concern as to "sound money generally." Despite some marked im perfections of our currency system, viewed as a whole, we di not repudiate our obligations t pay in gold until 1933. In 1919, committee of The American Bankers Association, composed o George M. Reynolds, Chairman A. Barton Hepburn, and Lawrenc E. Sands, reported, among othe things about monetary condition the following:

"The United States, *par excel lence,* and Japan as well, stan out conspicuously as nations main taining the gold standard. We en joy a proud pre-eminence in th respect, and it should be zealousl guarded and maintained. The be lief which obtains in the worl today that our dollars are as goo as gold must be maintained. Th whole world must be convince that money can be deposited in this country at any time and wit drawn at any time in any for

which the depositor may elect."
—"Hepburn," p. 485.

England's Solitary Policies, Except Her Policy During About 25 Years, Benefited for 220 Years not Only England, but All of the Civilized World

Certain City-States, as we have seen, maintained, each, a standard monetary unit, when sound money generally did not constitute the exchange **media**, and when foreign and domestic governmental policies on spending, credit, prices, etc., were anything but what they should have been. Certainly the wholesome lesson did not escape England.

In two and a fraction centuries, with the notable exception of a quarter of a century, as already observed, England kept faith in undertaking to circulate "good and true money" to the exclusion of any other. During this time, no Continental European government began to approach England in success at maintaining a monetary standard. The United States of America did coin money of integrity, and neither in England nor in America did the unstable prevalent world conditions, existing from time to time, prevent the attempt to furnish sound metallic currency.

World stability? Why, it was in the worst of times that capital rushed from the Continent and all parts of the world to London for safe-keeping, where the Bill on London was redeemable in gold at all times. No international monetary agreement had anything to do with "John Bull's" maintaining an absolutely trustworthy standard monetary unit of gold. In those days, so-called monetary cooperation by governments was not being demanded. An indication of wholesome conditions was a competition for gold by powerful money centers.

"It should be recalled that for nearly 100 years previous to 1914 nine out of ten cargoes on the high seas, from whatever port of origin and wherever bound, were financed by London bills of exchange." — **"The Commercial and Financial Chronicle,"** Jan. 20, 1940.

Orderly International Commerce Always Dependent on a Monetary Standard Internationally Acceptable, but Not on Such a Standard Internationally Maintained

Throughout any time, ancient, mediaeval, or modern, orderly international commerce has depended on a monetary standard internationally acceptable, but not on such a standard internationally maintained. The latter condition may have seemed desirable, but it has never been one of permanence or strength. It has never been necessary. England proved that a monetary standard is national.

We Can Maintain a Monetary Standard. It Is Imperative That We Do So

Lecky wrote ("History of England," Vol. V., p. 294):

"Nations seldom realize till too late how prominent a place a sound system of finance holds among the vital elements of a national stability and well being."

From 1789 until the New Deal revolution, our people were permitted freely to use gold in its refined state if they should possess it, an action in which they were restricted no more by legal decree than as to the ownership of a sack of salt. A comparison of the exchange value of paper promises to pay with that of gold could be made readily. One could be made of the exchange value of silver to that of gold at any time.

With the following partial exception, this is no longer true. Our will to redeem being confined to doing so in Central Banks, a limited comparison can be made, the precise related exchange value of our **media** to gold's being impossible to determine in so narrow a market.

We have seen that from 1792 until 1900 our mistaken policy of bimetallism prevented our maintenance of a monetary standard. It was observed also that, after our early years, our long failure to stop the domestic circulation of "common" currency increased the difficulty. We have no evidence that these failures were influenced, even slightly, by generally unstable conditions. One cannot overlook our successful 33-year record of maintaining a monetary standard from the year 1900. Nonetheless evident is the fact that during that time from the year 1914, or for 19 years, money conditions abroad were bad. Only by the return to a full gold standard may we avoid much trouble. Certainly, the far greater value of gold than of silver, now, as then, makes this the preferable metal for a standard.

Writing in the "American Mercury," July, 1936, the late eminent H. Parker Willis said:

"It will be passing strange if the public, both here and abroad, does not ultimately lose confidence in the currency, with the result that prices will be boosted artificially not alone to the level of 1926, but perhaps toward the soaring heights reached in Germany following the World War."

On Dec. 19, 1949, in a press release, Doctor Walter E. Spahr said, "Redeemability and Socialism are natural enemies."

Who wants Socialism?

Mars Metal Class A Stock at $1.50 a Share

F. W Stephens Co. is offering as a speculation 199,000 shares of Mars Metal Corp. class A stock at $1.50 per share.

Net proceeds from the sale of the stock will be used as additional working capital by the corporation.

The class A stock is redeemable at $3 per share plus one share of common stock.

Mars Metal Corp. was incorporated on March 25, 1953 in Nevada, for the purpose of acquiring the assets and business of Mars Metal Co., a partnership composed of A. L. Goldberg and Hugo Forster, which in turn took over the business from the former's father, Emar Goldberg, who founded it about 1914. Mr. Goldberg is now President and Director of the company.

Principal business of the corporation is the acquisition of secondary non-ferrous metals, chiefly from large industrial concerns and government installations, the partial processing of these metals and their sale to various brass mills, lead and brass smelters, copper refineries and others throughout the country. Another activity of the corporation is to act as a dealer, exporter and importer of all grades of non-ferrous metals.

For the year ended Sept. 30, 1952, the company had sales of $1,383,091 and for the six months ended March 31, 1953, sales of $969,141 were reported.

Continued from first page

Essentials for Domestic and World Economic Recovery

in every line of endeavor and in expanded areas. Good markets exist when the play of the free market place allows the exchange between individuals of goods and services, thus satisfying the desires and needs of all people to the extent of their own ability to create exchange and trading values. The free market place must be reconstructed and reactivated in an international economy which, during the last decade, was first destroyed, then artificially propped and stimulated by tremendous war expenditures, lend-lease, Marshall gifts and other grants and, apparently, we have not seen the end of this philosophy to date.

The difficult task before us is the recreation of this free market place and the restoration of the profit motive as a stimulant in the international economy.

Internal stability of every country is the first prerequesite to convertibility and restoration of normal trade. This can only be restored through self-imposed sacrifice, hard work and savings of the individual.

We have passed through two World Wars; the dislocation at the end of each conflict has been greater than were the causes leading to the wars. In the meantime, we are engaged in a new armament race.

There is a great division of opinion whether, during the last eight years, we have advanced sufficiently to eradicate the dislocation and settle our differences in an International Forum by peaceful means or whether settlement by force is the ultimate solution. In any event, I firmly believe we can spend ourselves into bankruptcy by excessive arms and foreign aid programs. Rearmament programs are never completed. The superior value of arms is not static. Therefore, if we are to restore more normal national and international economics in a free world atmosphere, we must contemplate a more rational policy in our internal and external spending.

America must get the most out of every defense dollar spent. From my own experience, I believe that another 10% to 20% could be cut from the armament program and wind up with a more efficient armed force. In my recent trip to Europe, I found that we do not have a "hard core army" but have an army largely made up of sightseers and photographers. My recommendation to our Administration has been to retain the 25,000 officers and have them operate on a more realistic basis and eliminate our 275,000 soldiers, replacing them with local manpower. No one will quarrel with a realistic defense program which assures United States control of the air and protects our industries; however, we must not spend more than we can afford to sustain as an efficient defense program over many years. Furthermore, I am convinced that our first line of defense is an outstanding air force based on American shores. If we Americans are to have a coordinated advance defense line, which at the same time is the major area of defense for other free people, we must have wholehearted cooperation and contributions in manpower and industrial capacity in substance, and not in just token form. This has not been the case to date.

Is a United Europe Possible?

Much has been written about a "United Europe" and I believe a more realistic approach to this problem is also in order. It is, in my opinion, easier to amalgamate the interest of two or three nations before compounding the difficulty by attempting a "United States of Europe." France and Germany could be the first to demonstrate if they can work together. The Schuman Plan should be rationalized, allowing private enterprise to assume the major responsibility, as a starter; broader economic unification could follow. It is not my intention to over-simplify the problems; nevertheless, a super-government international control board has many involved practical operating problems, which can, in my opinion, be more efficiently managed through international cartels—which are less objectionable than government monopolies.

A sick and ailing world economy cannot be revived to full bloom over night. Financial stimulants and sedatives of government controls are temporary measures to ease the sharper pains of rebirth. Recognition must be given to trade and industrial practices which have existed for centuries in certain countries. A system of checks and balances worked out in an industry, which allowed marginal producers to survive and secure a share of the available business along with low-cost producers, cannot be abolished immediately simply because of a cartel. Furthermore, the American system of "competition" cannot be imposed upon all geographic areas of the world or understood and adopted by all people within a space of a few years.

I reiterate that the best regulator of a free society is "supply and demand," operating in free markets. It is only under such conditions that the full knowledge, ability and experience of business men can function. The "profit motive" in the free market and the town square is self-generating! Excessive taxes and government interference, by controls, affect the free flow of capital, create dislocations and prevent the economy from expanding on the basis of free enterprise.

I wish to point out that in a free society spiritual and moral values are high. People tend to deal with each other with a full degree of honesty and respect. Impose high taxes and immediately the market place is cluttered with political influence and under-the table dealings. We have had ample experience of this in our country during the past 20 years.

Problems of Sound International Relations

If we want to re-establish sound international relations and sound foreign trade, our first problem, as I see it, is to re-establish a solid base line in the United States of America and bring order into our domestic affairs.

First: We need a sound fiscal policy leading to the restoration of the value of currency and, as soon as practical, the restoration of the gold standard. This implies a return to a balanced budget at the earliest possible date. This will do much to stabilize values; it will prevent inflation; it will insure an honest return for an honest day's work; it will secure the value of life insurance, pensions, investments, and individual security; it will restore national and international confidence; it will unshackle international trade and travel and it will bring back free world exchange and convertibility in the market place.

Second: We need a sound, honest, consistent pro-American foreign policy emanating out of Washington. This is very essential!

Third: We must prevent an increase in—and even eliminate some existing—social and socialistic legislation. This will restore self-confidence and self-respect of the individual; it will give him the dignity to stand on his own feet; to earn commensurate with his own ability; to save and make investments and, thereby, to provide for his own old age!

Fourth: We must eliminate our labor rackets and restore the freedom of action of the individual, to work under the conditions of his choice. Under our Constitution, I believe it is the right of any individual to quit his job if conditions are not satisfactory and, by the same token, the same prerogative must be retained, without interference, by the employer.

Fifth: We must reaffirm the intention and wishes of the founders of our republic that the government be the servant of the people rather than the master. This means the restoration of freer labor markets, free farm markets, elimination of subsidies, drastic reduction of government expenses, avoidance of waste and the dissolving of useless bureaus.

I assumed that these matters were a mandate to the new Administration when they were put into office last Fall; however, the progress that has been made to date has, in my opinion, been very slow! Reduction in our government costs, with immediate lowering of taxes will do more to stimulate expansion in trade domestically and in foreign trade and investments than the application of any other remedy. It is a matter of record that when a government withdraws, through taxation, more than 25% of the nation's gross income, a rapid economic deterioration of that country sets in. We have passed this point; we have reached the point of diminishing return. We have choked off the source of private venture capital by excessive government costs and taxes. We must restore this source if we are to finance necessary expansion at home and abroad.

A further problem in connection with foreign trade, about which much is written, is the tariff problem. Those of us who have had practical experience in export business fully realize sound foreign trade must be conducted on a two-way street; however, slogans, alone, such as "trade instead of aid" will not solve this very involved problem. The American economy is a very sensitive machine. While some of our mass production industries can compete in the domestic and international markets without any tariff protection, and should be permitted to trade under these conditions if they so desire, the facts still remain that there are a great many other industries, essential to our economy, which could not survive with a $2 hourly labor rate competing against one-fourth of this rate in Europe and one-eighth of this rate in the Orient.

It is an established fact, when prosperity in the United States of America is at a high level, international trade is at a high level, indicating that internal American prosperity has more constructive impact on trade than tariff.

Requisites for Free Economy Survival

If the Free World is to survive, the American economy must be sustained at a high level of production and employment. The Kremlin well knows, any form of economic distress in the United States would alienate Allies whose only tie to us is economic advantage of trade.

The total U. S. A. income from tariffs amounted to 5% of total imported items compared to 20% to 25% of certain large nations who argue for free trade.

The foregoing is a statement of facts which may appear contradictory; however, America, alone, cannot operate as a free trade country with existing labor policies and farm subsidies. It is certainly more practical for Europe, where conditions are very much more similar between countries, to drop barriers, quotas and controls.

A Flexible Tariff System

I believe it is very essential to restore an independent, non-partisan Tariff Commission and operate under the flexible tariff system; this Commission to report to the Congress, as provided by the Constitution. Furthermore, all other commercial problems should, as soon as possible, be returned to the jurisdiction of the Department of Commerce rather than the State Department who are not conversant with what is involved in a great many of the economic problems of our country. Proponents of free trade are using the arguments of "enlightened self-interest." "Enlightened self-interest" was the argument for gifts and grants-in-aid in support of lend-lease, Marshall aid, Mutual Security Administration operation, military pacts and suport of the North Atlantic Treaty Organization. I believe "enlightened self-interest" implies a sense of discrimination—discrimination in choice of Allies—discernment in value of such Allies and judgment on the supporting of the weaker economic areas of the world. Trading barriers with a country must be based on mutual agreement through mutual benefit. This, I believe, is a realistic approach followed by most nations.

It may be necessary for the United States of America to forego some of the export markets of the world. The United States of America could encourage the investment of American risk capital abroad if government would cease making gifts and grants and could selectively, when desirable, provide insurance at a reasonable rate, insuring such investors against default.

In my recent experience abroad, I find that foreign governments are still utilizing some of the credits, which we are providing, to reinsure private credits on the sale of capital equipment, running up to eight years. Instead of giving all of our capital away, it would be much more sensible, in my opinion, if we revised our banking laws and made it possible for American manufacturers to sell on an extended basis. This type of a program should be set up so that a premium is charged for the long-term financing and put on a self-liquidating basis.

In order to help restore equilibrium, such capital could partially be insured through the Export-Import Bank.

Another matter which came up for discussion at the International Chamber was providing an additional $10 billion capital for convertibility. I took the position that the World Bank was really established for this purpose; that there was still $3½ billion unused capital and, if any further funds are required to insure convertibility, all hard-currency countries should make their contribution. I am inclined to believe that it might be desirable to assist in bringing about more normal trade and better convertibility, to let some of the soft-currency countries reach their natural level. Investments to construct dams, provide irrigation, overcome soil erosion or increase food production in under-developed areas of the world, as well as self-liquidating private investments, will do much to reconstruct sound international trade relations. I am certain this form of financing would do more to restore equilibrium and avoid Communism than unwise political gifts or excessive military spending.

The United States of America is the only country that has sufficient funds to finance this type of procedure. We must utilize them only for "preferred" risks. Private capital is attracted only if political conditions and business climate are favorable. Also, it is very important to recognize that it is accompanied by technical and managerial skill.

Population Pressures

The billions of dollars that have been spent in socialistic schemes of State or Government-owned corporations, soft money and unwise gifts have not solved the most important problems in international relations to date. I refer to population pressures. Population pressures have, undoubtedly, done more to bring about wars than any single situation. We find such countries as Holland, Germany, Italy, Austria, Japan and others throughout the Orient are not self-supporting. Technological advancement alone will not help these countries. A long-range plan for relocation of young people looking for opportunities in new frontiers, financed on a self-liquidating basis, should be developed. Only a fraction of the amount spent for wars, or even Marshall gifts, would be necessary to carry out such a program. Hot wars and cold wars have spent our substance. The United States of America alone has a $273 billion debt. We must reverse the trend before we arrive at exhaustion. We must remember that there were years in our lifetime when we were living not on government subsidies but from the fruits of private industry and agriculture brought about through hard toil and long hours of the people.

Since the termination of World War II, currency has not represented real value. Government restrictions on importation of goods and exportation of currency are an artificial bolstering of the economy. Reciprocal trade agreements have been negotiated in such a manner as to foster state trading. State trading, in turn, leads to socialization of an entire economy. Governments are injected between the people of various countries. Citizens deal with the heads of their government rather than with the citizens of other countries. This has become almost an accepted way of life in the European economy. It tends to isolate whole nations behind government bureaus. It brings about quotas, tariffs, exchange controls and other forms of control which eliminate free trading.

Return to the Gold Standard

This entire matter should be restudied and a return to free private trading, in my opinion, is in order. No one nation's currency should be the measure of the value of another nation's currency. This is why, in earlier portions of this talk, I stated: "We must return to a gold standard." Gold is a common denominator for all currencies and is as effective a tool for measuring value in international trade as is a common language an aid to mutual understanding between people.

The flight from gold has encouraged manipulation and speculation in currency. It encourages governments to circulate paper money which requires artificial props and compulsion of laws to gain recognition. Unless he can barter, the man who wants to trade in goods and services, exchanging value for value, must accept some medium of exchange, but he does not know what currency he accepts—whether it represents true value or not. He attempts to convert it to other currency as soon as possible, or to something which represents equal or greater value. In most cases he can no longer do this in a free exchange market. The emphasis is placed on exchange of currency rather than on exchange of goods and services. Few of us fully realize the effect the Sterling Bloc has on international trade. Soft currency fights for recognition as against hard currency. The tendency is to forget that currency, hard or soft, is only the symbol of the internal economy of the country such currency represents. The relationship of such currencies to one another will always fluctuate as the internal economy is prosperous or is strained. An example exists in our own hemisphere. The American dollar and the Canadian dollar have switched places. The Canadian dollar has a greater value now than the American dollar. It should be noted that Canada has granted tax relief to individuals and business while the United States has the highest tax rate in its history.

Canada has always employed a system of selective tariffs. It has seldom propounded the excessive socialistic philosophies of some of the other Dominion countries with which it is associated. It is also noted that Canada was extremely discerning in its foreign aid. It has been more conservative in its defense expenditures and has a balanced budget.

In analyzing what has transpired in certain countries with a slower recovery from the economic waste of war, we find the people are the wards of the state rather than the master of their government.

Where free men govern themselves, everyone works to better his lot in life and has the opportunity to do so. Effort is required, both mental and physical. Ambition is needed. Consideration and tolerance grow with the dignity of man exercising one of God's finest gifts—the ability to work and produce!

On the other hand, wards of the state develop the philosophy, "I have it coming to me" and demand from their government comforts and securities they do not wish to provide for themselves. The disease spreads so that increasingly fewer producers are willing to support nonproducers and in such countries a leveling off process seems to be the prime object of government. All persons are being reduced to a common denominator and incentives for self-progress are removed.

Crisis Over in Many European Countries

My recent trip to Europe indicates clearly that the crisis, in many countries, is over and it is for this reason that I feel our government should get back to a sound, realistic approach and reduce our commitments in line with what this country can afford to pay. I understand there are over 300,000 civilians in foreign service and, in my opinion, this should be revised to possibly 10% higher than prewar basis.

While there are, undoubtedly, internal threats of communism in certain countries, for instance, France and Italy, I always get back to the point that communism is an ideology and will have to be fought on an ideological basis. We should, through personal contributions, make it possible for a larger percentage of religious people to enter these countries to give the needed instruction and to work on a "cell" basis among the masses. Where aid is necessary, it should be produced, preventing starvation of people by giving them the simple basic commodities.

In conclusion, I wish to emphasize that all of us have, I believe, a very great responsibility to do our part by constantly keeping before our Administration as well as the Senators and Representatives, the need for eliminating some of the numerous roadblocks which have been established over the last 20 years, so that business can again function as it has, for generations, on a relatively free basis.

There is also one other matter that I would like to call to your attention; namely, the Bricker Amendment to the Constitution. I, personally, believe the time is long overdue to adopt such an amendment. I believe it was the intention of our founding fathers to provide in the Constitution that all treaties were to be confirmed by a two-thirds vote of our Senate. The previous Administration made many violations of this important covenant and I sincerely hope that, in the interim and with the formation of the United Nations, the Bricker Amendment will be adopted as I believe it is particularly important to retain this country's sovereignty.

Public Utility Securities

By OWEN ELY

Southwestern Public Service Corporation

Herbert Nichols, Chairman, and Will Stanley, Vice-President of Southwestern Public Service Corporation, recently gave a joint talk before the New York Society of Security Analysts, bringing the Street up-to-date on developments in their area. Mr. Nichols remarked that publicity in the New York papers regarding the drought had been exaggerated. The cattle industry has, of course, been hard hit. But farmers in the area enjoyed five good years prior to the drought and with the present well-diversified economy of the State the drought has so far had no overall effect as yet on the company's earnings. Recently there has been some good rainfall, particularly in the Panhandle district.

The drought may have some deferred effects on the company's commercial business in the next fiscal year beginning Sept. 1, but this is not expected to exceed a few pennies in the per share earnings figure. Earnings for the fiscal year ended Aug. 31 have thus far been running a little ahead of the budget. With air conditioning and irrigation pumping at a high level, June kw. sales were 28% and July 30% ahead of last year. Including income tax savings due to accelerated amortization, per share earnings on the common stock for the 12 months ended June 30, 1953, based on shares outstanding at the end of such period, were $1.56 versus $1.39 last year; and on average shares outstanding during the periods, $1.63 versus $1.45. Share earnings for the fiscal year ending Aug. 31 are estimated at $1.61 on shares presently outstanding; without the benefit of income tax deductions for accelerated amortization, the figure is estimated at a minimum of $1.47 per share for that period.

The results of accelerated amortization may be summarized as follows: Application has been made for certification of projects costing about $55 million, of which $29 million has been certified by DPA. On this basis the company expects to defer an aggregate amount of nearly $12 million in income tax payments for the ten-year period 1951-1960. This cash will be employed in the construction program.

Regarding the "nontaxable" portion of the common stock dividend, they expect dividends in the fiscal year 1953 to be about 28% tax-free; and for 1954 the estimate is 33-37%, with higher estimates for the years 1955-56.

Present capacity is 525,000 kw. compared with a peak load of 477,000 kw. A new steam generating plant of 100,000 capability was completed at Plant X early in July providing capacity to meet the record peak loads in that month. Plant X, the newest of the company's 11 base plants, now has capability considerably greater than the entire system had in 1942.

The equity ratio is expected to approximate 28.3% at the end of this fiscal year compared with about 27% a year ago. The objective of the management is 30%, which might be attained in the coming fiscal year.

The company is continuing to follow a generous dividend payout policy, feeling that this aids the market position of the stock and results in better sale prices for new stock offerings. The benefit is two-fold—stockholders receive larger dividends, and the company raises more money for construction through the higher market price.

Regarding rates, Ebasco Services has made a survey of the entire rate structure and over the future they hope to iron out discriminatory features.

While the 1954 fiscal year budget has not been completed, the company expects to continue spending about $2 million a month on its construction program. The rate of growth in the area continues unabated with 12,400 new residential customers in the current fiscal year to date compared with 9,200 in the previous year; the number of commercial customers increased by 912 and industrial by 62. The air conditioning business is gaining very sharply and sales for TV sets are just getting underway since only two channels are now available.

Illustrating the company's growth, in the decade ended Aug. 31, 1952 kwh. sales increased 290%, revenues 238% and common stock earnings 368%. About 74% of plant was installed in the postwar period. The dividend rate has been increased 10 times in the past 10 years and the common stock was split 8-for-5 in 1947 and 2-for-1 in 1950. A $500 investment in the common stock made in September, 1942 would now be worth some $6,000 plus $2,500 received in dividends.

Joins Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul R. Robinson has joined the staff of Investment Service Corporation, 444 Sherman Street.

With S. A. Sandeen Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Myrl D. Maynard has become associated with S. A. Sandeen & Co., Talcott Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Considering the difficulties experienced by the fire insurance industry in the first half of the year, the reports for the period now being published in most instances show very satisfactory results.

One of the major factors which adversely affected underwriting results in the early months of the year was the windstorms that spread destruction over wide areas of Waco, Texas, Worcester, Mass. and sections of the middle western states. Losses sustained by the industry from these catastrophes ran into the hundreds of millions of dollars. While windstorm destruction in the spring is a normal expectation of the insurance industry, the losses this year were more extensive and in areas not normally subject to such occurrences.

Fire losses have also continued to increase. For the first six months the total amounted to $432,081,000 or about 6.8% higher than the similar period of 1952 when losses of $404,653,000 were reported. Part of this increase is attributable to a larger unit volume of insurable property. Nevertheless, the losses did continue to rise. An additional unfavorable influence was the fact that in a number of states rates on certain risks were reduced.

Finally, a major influence on operations for the half year was the sizable marine losses suffered by some of the major underwriters.

In spite of these adverse factors there were sufficient favorable influences at work to enable a number of the major fire insurance groups to report a gain in statutory underwriting earnings for the first half of the current year.

Two of the more favorable reports made so far are those of the National Fire Insurance Company of Hartford and the St. Paul Fire & Marine Insurance Company.

National Fire reported an increase of $4,232,462 in net premium writings, the total increasing to $37,108,678 from $32,876,216, or a gain of 12.9%. As a result of this larger volume the unearned premium reserve was increased by $2,383,115. The gain in premiums earned by National Fire amounted to $1,849,347 and was sufficient to offset the higher losses resulting from the windstorms as well as a gain in expenses as a result of the higher volume.

Thus even after allowing for the higher charges incident to the increase in volume, National Fire was able to report a statutory underwriting profit of $215,669 for the first six months as compared with $42,833 for the first half of 1952.

Earnings from investments were also higher, rising by approximately 9% to $1,585,366 from $1,452,485. The combined underwriting and investment earnings for the period before taxes amounted to $1,801,035 as against $1,495,317 in the first six months of 1952 or a gain of $305,718.

Federal income taxes and Connecticut investment taxes were considerably higher, amounting to $513,268 as compared with $199,549 accrued in the first half of 1952. After this charge net income, before allowing for gains or losses on securities, totaled $1,287,767 in the first six months of 1953 as against $1,295,768 in the similar period of last year.

St. Paul Fire & Marine on a non-consolidated basis reported net premiums written for the first half of $25,820,567 or approximately the same as the $25,752,884 shown last year. Premiums earned increased by approximately 4% rising to $26,170,421 as against $25,061,329. This gain was more than sufficient to offset a modest gain in losses and expenses.

As a result St. Paul reported an underwriting gain for the first half of $2,335,343 as against $1,737,035 in 1952 or an increase of about 13%. Investment earnings for the period were higher by approximately 9% rising to $2,004,827 from $1,834,942. The gain before taxes amounted to $4,340,170 as compared to $3,571,977 in the first half of 1952.

The larger income resulted in an increase in taxes. The accrual for the first half of 1953 amounted to $1,321,470 as against $1,160,953 in 1952. After this charge net income in the two periods amounted to $3,018,700 and $2,411,024 respectively.

In view of the problems which the industry faced in the first half and realizing that all companies did not show a similar experience, the results are nevertheless considered encouraging.

Lundborg Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William R. Whitehead has become affiliated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. Mr. Whitehead was previously with Davies & Co.

Joins Wm. R. Staats & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—H. Donald Leitch has become associated with William R. Staats & Co., 640 South Spring Street, members of the New York Stock Exchange. Mr. Leitch was previously with Sutro & Co. and Walston, Hoffman & Goodwin.

Mutual Funds

By ROBERT R. RICH

RECORD SALES of Wellington Fund shares for July and the first seven months were reported by A. J. Wilkins, Vice-President. The expansion in sales, according to Mr. Wilkins, was accompanied by an unusually low rate of redemption of shares. The Wellington executive added that the effect of sales was to boost total net assets of the Fund to an all-time high of $261,086,000 on July 31, last.

The Fund's July sales amounted to $4,277,814 — largest for any July in its 25-year history and up 15% over the same month last year. For the first seven months, sales amounted to $32,682,856—also largest for any similar period in the Fund's history and up 12.6% over the like period of 1952.

Redemption of shares in July declined to 17.7% of that month's sales and for the seven months were 18.5% of sales.

RISING COSTS of a college education are discussed in a study just issued by Hugh W. Long and Company, sponsors and managers of mutual fund shares. Costs of learning and living at five typical large colleges are about 60% higher today than they were in 1940 according to the bulletin which points out that even though college costs have increased more than five-fold since 1900, the rising demand for education may raise costs still higher.

Parents who will want to see a "mortar board" resting where a baseball cap or ribbon now sits would be prudent, says the Long organization, "to assume that four years of college costing $7,200 today will probably cost more in the years ahead."

Entitled "Preparing for College — The Parent's Problem," the bulletin recommends that financial preparation for college costs should be started early, and include investments. The warning is underlined by figures showing that the typical cost of a single year's tuition, books and board for one child, if met out of current income, amounts to about 20% of an after-tax income of $10,000, and over 11% of an income of $20,000 after taxes.

TOTAL NET assets of de Vegh Income Fund, Inc. on June 30, 1953, were $262,498, or $9.48 per share on the 27,384 shares outstanding, according to a report to the shareholders issued today (Aug. 3) by Imrie de Vegh, President.

The de Vegh Income Fund started operations on Feb. 2, 1953, and was first publicly offered on April 16, 1953. As indicated by its name, its purpose is to provide professional management for the resources of investors primarily interested in dividend income.

The Fund paid its first dividend, in the amount of 10 cents per share, on June 18 to stockholders of record on June 10.

CAPITAL GAINS is the principal objective of a new fund, Capital Venture Fund, Inc., it was announced by Karl D. Pettit, investment counselor and President of the fund.

Mr. Pettit explained that the new fund may invest up to 50% of its assets in unlisted securities. He added that the fund will generally own common stocks or securities having the same investment characteristics.

"Securities which the fund may consider," said Mr. Pettit, "will include those companies believed to be on the threshold of great relative growth which offer maximum potential capital gains; companies in reorganization or being recapitalized, cyclical securities and special investment situations.

"The fund has been planned," Mr. Pettit added, "so that investors may accumulate capital in a form that will utlimately be taxed at the comparatively low rate applicable to capital gains. We believe that such a fund will go far in meeting the real need of today's tax-economy investors."

THE VALUE LINE INCOME Fund, inaugurated 11 months ago, reports a climb in total net assets from $109,783 at the beginning of September, 1952, to $2,545,098 as of June 30, 1953, and to $3,150,554 as of July 31, 1953. During the 11 month period, the Fund has distributed a total of 34 cents per share from earned income. Net asset value per share as of July 31, 1953 was $4.76.

THE SEMI-ANNUAL report of The Value Line Fund, Inc., reveals total net assets of $7,420,695 and a net asset value per share of $5.82 as of June 30, 1953. This compares with $7,877,342 net assets and $6.07 per share value in the first quarter, and $8,551,694 net assets and $6.10 per share value a year ago. Distributions per share from earned income amounted to 9.5 cents and from profits, 11.5 cents in the six month period.

It was stated by Mr. Arnold Bernhard, President of the Fund, that the 30-point (10.8%) break in the Dow Jones Industrial Average this year has at least partially justified the defensive position of the Fund. While Dow Jones industrials declined from 291.9 to 268.26, or 8.1%, in six months, the Value Line Fund, whose managers had reduced the commitments in common stocks, declined only 3%. "The present is a time of powerful cross-currents in the market and a hard test of managerial skill," Mr. Bernhard pointed out. "The business boom is rounding the top. Some industries have already suffered serious recessions, others will probably undergo some sort of correction. It is believed by the Value Line Fund's managers that any recession that lies ahead will probably be of minor proportions. Yet we must take account of two risks that are difficult to measure: (1) the risk that even a minor recession, occurring at a time of heavy pressure on profit margins, may cause a disproportionately severe cut in dividends; (2) the risk that what now appears to be a threat of a minor business recession may later take on more ominous proportions. It must be recognized that no one can now foresee what will certainly happen. But it is the duty of the Fund managers to make provision for the major risks insofar as they can be appraised."

ELECTION OF Ernest Williams as resident Vice-President of Hugh W. Long and Company was announced this week. The company is the national sponsor of Fundamental Investors, Diversified Funds and Manhattan Bond Fund, mutual funds with more than $200 million of assets and more than 80,000 shareholders located in 48 States. He will represent the Long organization in his home state of Virginia and in five adjacent mid-south states.

Mr. Williams, a native of Lynchburg, is Secretary-Treasurer of the Durham & South Carolina Railroad Co. After serving in the U. S. Navy as a Lieutenant from 1942 to 1945, he became associated with Scott, Horner and Mason, prominent southern investment firm, as Manager of its mutual funds department. Mr. Williams will make his headquarters at 16 Vista Avenue, Lynchburg, Va.

CLOSED-END NEWS

THE UNITED Corporation reported yesterday that net income of the company during the first six months of 1953 amounted to $1,850,570 or 13.2 cents a share, compared with $1,642,784 or 11.7 cents a share in the corresponding months of 1952. The improvement in earnings, Wm. M. Hickey, President, said in the report, resulted from profit of $264,186 realized on sales of securities in the 1953 period; in the first six months of 1952 such profits were $19,405.

Net assets on June 30, 1953, based on market value of securities held, totaled $67,582,311, equivalent to $4.80 a share. These compared with net assets of $69,637,206 or $4.95 a share on June 30, 1952 and $72,811,001 or $5.17 a share on Dec. 31, 1952.

Mr. Hickey stated that during the three months ended June 30, 1953, but primarily in April, the company sold 147,100 shares of its holdings of Niagara Mohawk Power Corporation common stock.

Continued from page 9

Mutual Funds and Employee Stock Purchase

employer and worker. Most of the employee stock purchase plans were discontinued.

It is therefore not surprising to find that in the 1930's there was very little interest in stock purchase plans for workers. In a survey made in 1942 the National Industrial Conference Board could find only two employee stock purchase plans which had been adopted since 1930.

After the end of World War II, however, interest in stock purchase plans for rank and file workers was revived. International Harvester had instituted an employee stock ownership plan in 1930 only to abandon it in 1931. In 1949 it announced a new plan for its employees. American Telephone and Telegraph had a stock purchase plan in operation prior to 1929, in 1947 it allotted 2,800,000 shares of common stock for sale to its employees. Other companies adopting stock purchase plans for rank and file employees in recent years include Westinghouse Electric, Minnesota Mining and Manufacturing, Dow Chemical and Jewel Tea. Among the factors which accounted for the revival of employee stock purchase plans are the discontinuance of U. S. defense bond selling campaigns, the general prosperity prevailing in the country, the rising stock market and the new restricted stock option plan possibilities under a change in the Internal Revenue Code. Companies that have adopted stock purchase plans recently have carefully studied the record of the '20's and '30's. Safeguards have been incorporated into the plans and they have attempted to avoid those features which caused losses to employees in the 1920's and '30's. Many companies, however, remembering the unfortunate experience of the '30's are still reluctant to introduce employee stock purchase plans.

Diversification Lacking

There is no doubt that stock purchase plans for rank and file employees are an important way of getting workers to identify themselves with the interests of the company and to make employees conscious of the advantages of the free enterprise system. However, exclusive purchase of the shares of only one company violates one of the fundamental rules of sound investment procedure — *the need for diversification.* When employees invest in the stock of the company which employs them they are literally putting all their eggs in one basket. In a depression they may lose everything—their jobs and also the value of their investment in the company's stock. No prudent investment manager would ever advise anyone to place all his funds in one security. No matter how excellent the company, its securities will fluctuate in price, often with the market trend and often against it. In the investment world it is recognized that it is the height of folly to place all one's eggs into one basket. Corporate executives who are responsible for introducing stock purchase plans would probably never invest all their own funds in one security. They would undoubtedly seek diversification in their personal investment portfolios. Yet, in introducing stock purchase plans they are in effect inviting employees to place their funds in one security and thus not receive the recognized advantages of diversification. Very few rank and file employees own any common stock, the shares purchased through the company stock purchase plan will usually represent the only equities they own. Thus, in effect, through introducing a stock purchase plan a corporation tends to place its employees' investment funds in the securities of only one company and violates the principle of investment diversification.

Plans Can Take Form of Mutual Funds

Does this imply that employee stock purchase plans should be abandoned? Definitely not! Stock ownership plans are very valuable in promoting an employee's interest in the American free enterprise system. Why can't stock purchase plans take the form of investment in mutual fund shares? Through mutual fund shares the employee avoids the great risks inherent in placing his eggs in only one basket. In addition to diversification the employee also receives the advantages of informed selection and continuous supervision by professional management. It is also entirely possible that the mutual fund will own shares in the employee's company.

Thus the purchase of mutual fund shares through an employee stock ownership plan maintains the various advantages of such plans and avoids the major shortcomings. First, employees are given a stake in the sound operation of the economic system. He will be interested in lower costs, increased efficiency and higher profits not only for his particular company but for all companies. Second, the distribution of company shares through the medium of mutual funds should heighten the employee's conception of the free enterprise system. Ownership of stock in a large number of companies will make the worker a staunch supporter of the existing economic order. Third, a mutual fund stock purchase plan will encourage employee thrift. This will lead to improved labor relations and will enable employees to provide for their own retirement. The periodic investment of even small sums will result in the accumulation of rather surprisingly large amounts. In an article in the March 12th issue of the "Commercial and Financial Chronicle," this author pointed out that if a worker invests $200 a year for 40 years and receives an average annual return of 7% he will accumulate almost $40,000 by the end of the 40-year period. It has been possible to secure an average annual return of 7% on mutual fund shares through dividend payments, capital gains and price increments. The accumulation of such sums will be an important factor in achieving greater harmony in labor-management relations and in promoting general economic stability. It will also reduce the pressure on employers to provide retirement benefits. Fourth, the ownership of mutual fund shares will provide both active and retired workers with additional income and are thus an important hedge against inflation. Finally, the purchase of mutual fund shares rather than the exclusive purchase of shares in one company enables the participating employee to secure the advantages of diversification.

It may be a matter of company pride for the management to want its employees to directly own stock in the company. Even here it is possible to provide diversification. The stock purchase plan can be set up so that part of the funds are invested in company stock and the rest in mutual fund shares. Perhaps the money available for purchase could be split evenly between mutual fund shares and company shares. The company is also then avoiding leading its employees down the dangerous path of placing all the eggs in one basket.

Many companies have hesitated to introduce stock purchase plans for rank and file employees because of the bad memories of the '20's and '30's. Investment in a mutual fund might provide a solution for such companies. Mutual fund shares do fluctuate in price, but they will usually afford better defensive protection than is provided by owning only shares in one company. Thus the utilization of mutual fund shares as the investment medium may induce additional companies to introduce employee stock purchase plans.

Conclusion

Employee stock ownership plans are desirable and should be encouraged. Exclusive purchase of the shares of one company however violate the rules of prudent investment. The average employee is unsophisticated in financial matters and does not know what stocks are best suited for him. Purchase of mutual fund shares provides an ideal medium for employee stock purchase plans. No matter how strong any one company it is still is not as strong as many companies combined. Investment in one's company is a laudable notion, but it is fraught with great danger for all concerned. The interests of both management and workers will be better served if through the medium of stock purchase plans employees acquire an interest in a diversified list of American companies. This is a field which both mutual funds and corporate executives could examine further with mutual benefit.

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The State of Trade and Industry

Chrysler's West Coast and Evansville, Ind., plants — which operated in the previous week—were down last week for inventory. But Chrysler's Detroit area plants will be back in operation, so the company's overall output should rise to about 20,000 cars.

Chrysler, it states, has blamed the Detroit area tool and die strike, settled last July 13, for much of its slowdown in output in the past month. There are reports, however, that at least one of its divisions may come out with 1954 models this fall, as planned, despite the effects of that strike.

Steel Output Scheduled This Week at 96.9% of Capacity

The automotive industry, watched closely for clues as to the size of future steel demand, is beginning to pare down its orders for steel, says "Steel," the weekly magazine of metalworking, the current week.

The cutbacks are yet spotty and small in number but they are noteworthy because they are the first to emerge in recent times. How much they mean is yet to be seen, it adds.

Because the automotive industry is the largest consumer of steel (it uses one-fifth of all the steel) many analysts believe, this trade weekly states, that as the auto industry goes so goes the steel industry. For many months the over-all demand for steel has exceeded supply. While progress toward a balance between demand and supply has been made through some decline in demand and an increase in steel production capacity, the day of plenty of steel for everyone would arrive quickly if there were heavy cuts in automotive steel consumption, this trade journal points out.

Despite some downward readjustment of sights in near-term automobile production, there's still a substantial amount of optimism in the auto industry, it notes.

The reductions in automotive demand for steel are appearing as outright cancellations of orders by the automakers for steel and parts and postponements of ordering of steel and parts for the last two months of this year, "Steel" reports.

Another area to watch for signs of a shrinkage in steel demand, states this trade magazine, is that of subcontractors in the metalworking industry. With the decline in locomotive production one builder of locomotives is cutting off subcontracting and assuming the manufacture of parts. In the first quarter of next year, this builder expects to need as much or more steel from mills as it has been taking, although fewer locomotives will be built. Similarly, other fields may drop subcontractors. Thus, steel mills may feel a first easing in demand from a lot of small users rather than a few big ones, concludes the trade paper.

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 96.9% of capacity for the week beginning Aug. 10, 1953, equivalent to 2,184,000 tons of ingots and steel for castings as against 94.0% (revised), or 2,119,000 tons a week ago. For the like week a month ago the rate was 94.7% and production 2,134,000 tons. A year ago the weekly production was placed at 1,938,000 tons and the operating rate was 93.3% of capacity.

Car Loadings Point Upward in Latest Week

Loadings of revenue freight for the week ended Aug. 1, 1953, increased 13,049 cars, or 1.7% above the preceding week, according to the Association of American Railroads.

Loadings totaled 793,754 cars, an increase of 60,678 cars or 8.3% above the corresponding 1952 week, when loadings were depressed by the aftermath of the strike in the steel industry, but a decrease of 19,634 cars or 2.4% under the corresponding 1951 week.

Electric Output Last Week Shaded From Previous Week's All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 8, 1953, was estimated at 8,463,616,000 kwh., according to the Edison Electric Institute.

This represented a drop of 48,006,000 kwh. below the previous week's figure of 8,511,522,000 kwh., the preceding week's high point for the industry.

The current total was a gain of 968,294,000 kwh. or 12.9% over the comparable 1952 week and an increase of 1,393,726,000 kwh. over the like week of 1951.

U. S. Auto Output in Latest Week Expected to Show an Increase

Automotive output for the latest week is expected to show a better position as a result of booming production by General Motors and Ford, plus resumptions by some Chrysler, Packard and Hudson plants, states "Ward's Automotive Reports."

The industry turned out 112,939 cars last week, compared with 131,879 in the previous week. A year ago, because of the steel strike, the weekly production was only 35,038 cars.

United States truck production last week totaled 26,112 compared with 26,022 the previous week. A year ago truck output was only 8,836 units.

Canadian companies made 2,230 cars last week, compared with 8,772 in the previous week and none in the like 1952 week. Truck production amounted to 10 units last week, against 1,504 the week before and 90 in the year earlier period.

Business Failures Advance Mildly

Commercial and industrial failures rose to 195 in the week ended Aug. 6 from 182 in the preceding week, according to Dun & Bradstreet, Inc. This increase lifted casualties considerably above the 123 and 149 which occurred in 1952 and 1951 respectively, but they continued 23% below the pre-war total of 252 in the comparable week of 1939.

Slightly more concerns failed the past week with liabilities of $5,000 or more, as was true of the previous week. However, they were up sharply from the 92 recorded in this size group a year ago. The increase was somewhat greater among small casualties, involving liabilities under $5,000. Twenty-six businesses succumbed with liabilities in excess of $100,000, compared with 15 last week.

Food Price Index Continues Decline from Recent Peak

Another moderate dip in the Dun & Bradstreet wholesale food price index brought the Aug. 4 figure to $6.67 from $6.70 last week, and $6.75 two weeks ago when the index hit a 21-month peak. The current number is still slightly about the $6.65 recorded on the corresponding date a year ago.

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

Wholesale Commodity Price Index Moved in a Narrow Range Last Week

Fluctuations in the Dun & Bradstreet daily wholesale commodity price index were small last week. The index closed at 281.26 on Aug. 4, as compared with 281.79 a week earlier, and with 293.84 on the corresponding date last year.

Grain price movements continued irregular but most grains scored moderate to good advances for the week. Corn prices rose in the face of continued favorable new crop progress. Strength in the yellow cereal reflected rapidly advancing premiums for cash corn and a sharp falling off in marketings by growers. Oats were aided by the firmness in corn and the belief that the forthcoming Government estimate of oats production will be sharply reduced from the July 1 forecast. Rye closed higher after hitting the lowest prices in four years early in the week. Wheat declined despite increasing reports of black rust in Spring wheat growing areas. Export demand for wheat remained poor.

Domestic business in hard wheat bakery flours continued dull as buyers refrained from making commitments despite substantial price advances, particularly for Spring wheat types.

There was some improvement shown in rye flour as prices strengthened following a prolonged period of weakness. Export flour trade was somewhat more active. Cocoa advanced to new seasonal highs for the current movement as improved buying interest met with limited offerings from primary markets. Warehouse stocks of cocoa declined slightly to 198,425 bags, from 201,728 a week earlier, and compared with 125,609 a year ago.

Coffee continued its sharp rise with bullish sentiment largely influenced by reports forecasting more frosts in Brazil. Domestic raw sugar finished slightly lower, but refined prices held steady, aided by sustained replacement demand. Live hog values continued to trend downward, mainly reflecting further sharp declines in wholesale prices of fresh pork cuts. Steers were steady, while sheep and lambs were firmer on improved demand from eastern shippers.

Spot cotton prices fluctuated in a narrow range last week with final quotations about unchanged from a week ago.

Trading was only moderately active as traders tended to mark time pending announcement of the next official crop forecast.

Sales in the 10 spot markets last week totaled 48,300 bales, compared with 45,100 the week before, and 82,700 in the corresponding week a year ago. Export inquiries were fairly numerous but sales for export were light in volume. The mid-July parity price for the staple at 34.22 cents a pound, was up 24 points over a month previous. CCC loan repayments for the week ended July 24 were reported at 9,800 bales, the smallest for any week since mid-February. Exports of cotton during the first 10 months of the season, according to the Bureau of the Census, amounted to 2,713,000 bales, a drop of 48.0% from 5,206,000 in the like period a year ago.

Trade Volume Moderately Higher Spurred by Special Promotions the Past Week

Retail trade increased slightly in most parts of the nation in the period ended on Wednesday of last week as special promotions attracted many shoppers. While most retailers reported their sales volume as slightly larger than that of a year ago, there was an increasing minority with unfavorable year-to-year comparisons. Clearance sales of seasonal merchandise were more common than in recent weeks; the traditional August promotions of household goods stirred moderate response.

Retail dollar volume 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 comparable 1952 levels by the following percentages: New England 0 to +4; East —1 to +3; Midwest and Northwest +1 to +5; South and Southwest +2 to +6 and Pacific Coast +3 to +7.

While the reaction to clearance sales of Summer wear was generally spirited, the total spent on apparel last week did not vary markedly from that of the prior week.

Fall apparel was still in rather sparse demand, although moderating weather in some parts of the East stirred slight interest. Less popular the past week were men's Summer suits and casual shoes. Children's toggery sold in perceptibly larger volume than a year before.

The truce in Korea had no apparent effect on buying; wholesale orders remained somewhat above the level in the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Aug. 1, 1953, declined 1% from the level of the preceding week. In the previous week an increase of 5% was reported from that of the similar week of 1952. For the four weeks ended Aug. 1, 1953, an increase of 4% was recorded. For the period Jan. 1 to Aug. 1, 1953, department stores' sales registered an increase of 4% above 1952.

Retail trade volume in New York the past week was reported by trade observers to have approximated or slightly exceeded the turnover for the like period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 1, 1953, showed no change from the like period of last year. In the preceding week an increase of 3% (revised) was reported from that of the similar week of 1952, while for the four weeks ended Aug. 1, 1953, an increase of 3% was reported. For the period Jan. 1 to Aug. 1, 1953, an increase of 1% was registered from that of 1952.

Continued from first page

A Study of Behavior of Low Priced Stocks

the factor that makes for greater volatility. At least two studies indicate rather clearly that price variability is related to stock quality rather than to price level.[6] Low priced stocks are more volatile because low price and marginal position so frequently coincide in the same stock.

But if one believes that a bull market is imminent, he should select a portfolio of low priced stocks rather than a portfolio of high priced stocks if compelled to choose solely on the basis of price level. For whatever reason, low priced stocks do have wider price movements than high priced stocks. Indeed, men have been selecting or recommending stocks on the basis of low pricedness for a great many years.

It is the purpose of this inquiry to examine and appraise portfolio recommendations of selected low priced stocks made about two decades ago and recommended on the basis of their low pricedness. Investment theories are sometimes tested by retrospective computation of the result of following a given investment or speculative policy over a given period of the past. It is an entirely respectable method of anlaysis, although it is difficult to eliminate completely the effect of hindsight. In most such studies, the analyst makes the selection of the assumed portfolio on some mechanistic basis (the largest, or the most active at a given time).

But we can measure the result of investment (or speculation) in low priced stocks by using actual recommended portfolios of such stocks published in years past. It is not necessary to use any mechanistic scheme of selection, no matter how plausible. It is necessary only to select an actual low priced stock portfolio recommendation published about the beginning of the desired test period and calculate the financial result of following the recommendation.

Hindsight is not necessarily eliminated merely because an actual published recommendation of the past is chosen for test. Presumably there are many actual recommendations from which to choose, and the outcome would be modified according to the particular recommendation chosen. Actually, it turned out to be extremely difficult to find published portfolio recommendations of two decades ago made on the basis of low pricedness. There was apparently little attention given to pricedness as a factor in selection. Except for the Van Strum study which was published in 1932 in a regional journal of limited circulation, the first published study seems to have been in 1936.

Only two such recommended portfolios published in the standard financial journals could be found for the early 1930's. In order to have a third low priced portfolio for analysis, one was taken from one of the problems in a mimeographed problem book written by the author in 1932. This portfolio was selected on the basis of low pricedness and net cash assets per share of stock in an amount approximately equal to stock price.

Low Priced Shares—A Fixed Trust

In January, 1931, Capital Accumulation Corporation offered Low Priced Shares, a fixed trust, to the public at 7⅛. The portfolio consisted of 25 low priced stocks and each trust share represented a 1/2500 interest in a portfolio unit. The trust was to terminate in February, 1936, or at an earlier date in the discretion of the trustee and depositor-sponsor. Actually, the trust was terminated in February, 1935. The payout on termination was $4.65 and dividends paid over the four-year period amounted to only 35 cents. The performance of this low priced portfolio in comparison with the Standard and Poor's stock averages can be summarized as follows:

	Cost 1-15-31	Market 2-4-35	Decrease
Low Priced Shares	$7.12	$4.65	34%
Standard & Poor's 90 Stock Average	122.8	71.4	42
Standard & Poor's Industrial Stock Average	119.1	86.2	28

The period was one of sharp decline followed by modest recovery. While the absolute performance of this fixed trust was unsatisfactory, the results were not worse than would have been realized in the purchase of the Averages. Perhaps this in itself has some significance. If well selected low priced stocks do no worse than the market on the downside but do much better on the upside, then clearly low priced stocks are attractive as a class.

The portfolio of this fixed trust was made up of low priced stocks, but it is quite apparent that no attempt was made to select stocks only on the basis of price. As a matter of fact, at the inception of the trust in January, 1931, only about a half dozen of the 25 stocks were below $10 a share. Examination of the list discloses that a considerable number of the stocks were even then hardly to be regarded as "cats and dogs." In the sharp declines of 1931 and 1932, however, most of the stocks did decline to below 10, and in these years only about a half dozen managed to stay above 10.

The initial offering price of 7⅛ included a substantial loading charge, so that the decline of 34% from the offering price to liquidation somewhat overstates the portfolio decline.

Based upon approximately year-end market prices and consideration of stock dividends, splits, and other capital changes, the theoretical liquidating value of Low Priced Shares if it had continued to exist is shown below. Included in the same table are the year-end Standard and Poor's 50 Industrial Stock Average. The industrial average was selected because the Portfolio of Low Priced Shares was almost wholly made up of industrials.

	Low Priced Shares	S. & P.'s 50 Industrials	Relative to Year End 1931 Low Priced	Relative to Year End 1931 S. & P. Ind.
January, 1931 offering price	$7.12	123.6	197%	196%
Year ends:				
1931	3.61	63.0	100	100
1933	5.72	92.3	158	147
1935	8.36	127.2	231	202
1937	6.60	102.2	183	162
1939	7.84	121.2	217	192
1941	6.40	87.5	177	139
1943	8.04	115.6	222	183
1945	12.68	167.2	351	265
1947	10.44	151.2	289	240
1949	12.13	164.3	336	261
1951	19.96	241.4	553	383
1952	21.89	267.9	606	425

It is interesting to note that not only did the Low Priced Shares Portfolio outperform the Standard and Poor's industrial average but the lower priced portion of the 25 stock portfolio considerably outperformed the higher priced portion of the portfolio. In making the computation of the year-end liquidating values, the 25 stock portfolio was divided according to price quotations in December, 1931. One group was made up of the 10 higher priced stocks in the portfolio and the other of the 15 lower priced stocks. The lower priced part of the portfolio increased in market value 10 times to the end of 1952 as compared with only about 3½ times for the higher priced part of the portfolio.

The record of Low Priced Shares over the test period in comparison with the performance of the Averages appears to justify the following observations:

(1) The decline in Low Priced Shares from the beginning of 1931 to the close of 1931, severe as it was, was not greater than the decline in the Averages. The recovery after 1931 was substantially greater for Low Priced Shares than for the Averages. This is some confirmation of one of the conclusions of the Fritzemeir study previously mentioned, that low priced stocks go up more in bull markets and do not lose this relative gain in the recessions that follow.

(2) The record of these stocks serves to emphasize the importance of timing. The record of this low priced portfolio was relatively quite good; nevertheless, an investor who purchased Low Priced Shares in January, 1931, would have had to wait until about 1945 for any substantial profit although he could have gotten out with a very modest profit in 1935, 1939, and 1943. It must be remembered, too, that January, 1931, was by no means a peak period. The Standard and Poor's 50 stock industrial average declined from 245.9 for September, 1929, to 122.9 for January, 1931. In January, 1931, a good case might have been made for purchase of stocks on the basis of the extent of the decline. Indeed, it is not difficult to imagine that if "formula planning" had been the fashion then as it is now, and if a formula had been constructed based on the 1927-28-29 experience, purchases might have been indicated in January, 1931.

The unfortunate timing of the actual liquidation is also evident. The actual realization in February, 1935, was $4.65. But the year-end 1935 value would have been $8.36, a figure above the initial offering price.

(3) This record also serves to point up the importance of diversification. Over all, the relative performance of Low Priced Shares was very good. But the performance of a significant number was anything but satisfactory, but these were more than offset by the quite brillant performance of another relatively small group. The most brilliant performance was by Goodrich, which increased in value by more than 40 times. The next best performance was by American Cyanamid, which increased in value by about 25 times from December, 1931, quotation. The worst performance was by Standard Brands and United Corporation, which in 1952 were quoted for substantially less than in December, 1931. A few of the better and poor performers are shown below:

Good Performance

Goodrich
American Cyanamid
Bendix
Briggs
Kroger
American Metal
Continental Oil

Poor Performance

Standard Brands
United Corporation
Packard
Lorillard
Niagara Hudson
United Gas

No attempt was made to compute the dividend return on Low Priced Shares. As indicated above, the actual dividends prior to liquidation were small, and it is likely that the dividend return on this portfolio, had it continued in existence beyond 1935, would have been relatively smaller than for the stocks included in the Averages. Since dividends are, in fact, part of the performance record, the relative advantage of this low priced portfolio over the Averages might have been somewhat reduced.

The "Pauper's Investment Trust"

Mark Casey, in what appeared to be a semi-serious article in the Feb. 9, 1931, issue of "Barron's," recommended a portfolio selected as of Dec. 31, 1930, which he called the "Pauper's Investment Trust." His thesis was that stocks that have fallen disastrously in a depression are an excellent commitment as a group, however forlorn they may seem when viewed singly. Mr. Casey, of course, could not have known that Dec. 1, 1930, was not the bottom but only the beginning of a long downturn in business and security prices.

Mr. Casey tested his thesis by comparing the action of the Dow Jones Industrial Average with the action of a typical list of "cats and dogs" after the downturns of 1907, 1914, 1917, 1921, and 1926. The selection of the cat and dog portfolios was done on a mechanistic basis which presumably eliminated any possible hindsight bias. In all but one of these tests the cats and dogs outperformed the market leaders in the recovery from the low point. The average increase for the cats and dogs was 172% as compared with an average increase of 68% for market leaders.

Two possible explanations were suggested for the excellent group performance of low priced unpromising stocks. In the first place, suggested Mr. Casey, the managements of these companies have their backs to the wall. Short of radical improvement and reform, the management personnel will be out of jobs and "stockholders will see all hopes extinguished." Under these circumstances, several of the companies will take heroic measures which will prove successful. The capital appreciation of these stocks will then be measured in "thousands of per cent" and will more than compensate for the complete failure of many of the less vigorous or perhaps less fortunate companies. The author also suggested that sometimes the buyer of cats and dogs may profit from fraud. One or more of the companies whose stock is greatly depressed may have adopted wasteful salary policies or charged capital expenditures to revenue, with the intention of driving the stock down to a level where those on the inside could accumulate the stock at bargain prices.

Mr. Casey then suggested a portfolio of ten shares each of 20 of the more "forlorn" stocks as a poor man's investment trust, to be liquidated in two years. The portfolio was made up of a selection of only those stocks that had declined at least 90% from the 1929 high, but excluding stocks selling for less than $2 (as facing virtual certainty of dissolution and complete loss) and railroads. He also excluded investment trusts on the ground that they provided too much diversification to be worthwhile on a long-shot basis. The list was reduced to 20 on the basis of total assets at the end of 1929. The cost of the portfolio (10 shares each) on Dec. 31, 1930, was $762.50. The portfolio is shown below:

20 Listed Common Stocks Quoted on December 1, 1930, at One-Tenth or Less of 1929 Highs

	High 1929	Dec. 1, 1930 Close
Autosales Corporation	35½	2
Brockway Motor Truck	75⅞	4¼
Celotex Corporation	79⅜	7¼
Certain-teed Products	32	3⅜
Crosley Radio Corp.	125	6½
Curtis Wright Corp.	30⅛	3⅛
Fashion Park Association	72⅝	5¾
Fisk Rubber and Tire	20⅛	1⅛
Gobel (Adolph)	66	5½
Grigsby-Grunow	70	4
Hayes Body Corp.	68⅛	4¼
Kelly Springfield Tire	23⅞	2
Manati Sugar	26	2¼
National Bellas Hess	71	4⅜
Oliver Farm Equipment	64½	3⅞
Shubert Theatre Corp.	74½	5⅞
Superior Oil	24	1¼
United Electric Coal	81⅛	3¾
Virginia Carolina Chemical	24¾	2⅜
White Sewing Machine	48	3⅜
Totals	1,112.50	76.25

Even a casual inspection of this portfolio indicates its forlorn character. Six of these stocks were wiped out in failure or reorganization. Others were merged with stronger companies. In only relatively few cases were there no capital changes. Mr. Casey's expectation that in a few cases the gain "would be measured in thousands of per cent" was not realized. The best performance was by Crosley Radio, each share of which became four shares of Avco. The December, 1952, value of these four shares was $31.50 as

1 "Interest Rates, Bond Yields, and Stock Prices in the United States since 1856," p. 144.

2 "Finding Actual Stock Price Distortions," March 13 and March 20, 1944.

3 "High Priced Versus Low Priced Stocks," The Northwest Investor, Summer, 1932.

4 Fritzemeir, Louis H., "Relative Price Fluctuations of Industrial Stocks in Different Price Groups," Journal of Business, April, 1936.

5 "The Relationship between Price Change and Price Level for Common Stocks," Journal of the American Statistical Association, December, 1946.

6 Burrell, O. K., "Price Fluctuations of High Priced and Low Priced Stocks," The Commercial and Financial Chronicle, April 21, 1949; Clendenin, John C., "Quality Versus Price as Factors Influencing Common Stock Price Fluctuations," The Journal of Finance, December, 1951.

compared to a cost of 6½ for Crosley in 1930. This is an increase of only a little more than 400%. After taking into account the many capital changes, the market value of this portfolio as of about Dec. 1 of selected years was as follows:

	Pauper's Investment Trust	Standard and Poor's 50 Industrial Stock Average	—Relative to 1930— Pauper's Investment Trust	Standard and Poor's 50 Industrials
1930	$762.50	131.5	100%	100%
1931	248.75	72.5	33	55
1933	403.75	90.9	53	69
1935	349.57	120.7	46	92
1937	522.20	105.2	68	80
1939	553.57	119.2	72	91
1941	341.48	90.8	45	69
1943	647.21	110.3	85	84
1945	1,539.98	166.0	202	126
1947	1,192.93	149.6	156	114
1949	1,333.53	158.3	175	120
1951	1,460.04	232.5	192	177
1952	1,414.79	258.2	185	196

It should be noted that the performance indicated in the above table does not take account of dividends paid by the stocks in the "Pauper's Investment Trust" or on the stocks in the Averages. But even casual examination of the stocks in this low priced portfolio indicates that the dividend return was very small, particularly during the 1930s. It is entirely clear that if the dividend factor were taken into account the relative performance of the "Pauper's Investment Trust" would be much worse.

Even without consideration of the dividend factor, the stocks in the Industrial Average outperformed the so-called pauper's stocks. Clearly, Mr. Casey's idea did not turn out well either on an absolute or on a relative basis. The portfolio was "under water" from 1930 to 1945. It must be said that the Standard and Poor's stock did not get back to the 1930 level until 1945 either. But the Standard and Poor's stocks came closer to recovery. By 1935, for example, these stocks were below the 1930 level by only 8%.

The record above also points up a factor which has been the subject of frequent comment. The high point of the low priced portfolio was reached in 1945, while the stocks in the Standard and Poor's average increased 55% from 1945 to 1952. Many people believe that one of the indications of the end of a bull market is great activity and rising prices for the so-called "cats and dogs." The current bull market has not, up to this time at least, been marked by overspeculation. Whether this means that the current bull market is a long way from culmination, or whether it means merely that this is a different kind of bull market, is the unanswered question.

The importance of timing is also quite evident in the above record. Mr. Casey's analysis was based on consideration of what had happened to greatly depressed stocks following historic low points. It was not unreasonable for him to conclude that Dec. 1, 1930, was such a low point. By that date the Standard and Poor average had declined 50% from the 1929 high. But in spite of this great decline, this average was destined to decline from 131.5 on Dec. 1, 1930, to 35.1 at the low in June, 1932. It is quite possible that if his date had turned out to be the low point, the low priced portfolio would have performed in the manner expected.

Mr. Casey's tests covered periods of low corporation and individual income tax rates. He expected that many of the stocks would not do well but that in a few cases the gains would be "measured in thousands of per cent." High corporate tax rates would today greatly reduce the gains for the highly successful companies. Examination of the stocks in the portfolio indicates that the tax factor could not account for the relatively poor performance of this portfolio of depressed stocks. Even if corporate tax rates had remained unchanged, it is likely that the Standard and Poor's stocks would have outperformed the cats and dogs.

A Portfolio of Cash Asset Stocks

The "something for nothing" instinct is aroused by a stock that sells for less than its net quick assets per share. Net quick assets per share is here taken to mean cash and reasonably quick claims to cash minus all liabilities and claims ahead of the common stock, divided by the number of common shares outstanding. By this definition cash assets do not include inventories, and if preferred stock is outstanding it is deducted just as if it were a liability. A company whose stock sells below the net quick assets as here defined is quite literally "worth more dead than alive."

A major stock market decline usually brings a considerable number of stocks to levels below net quick assets as here defined, although even in bull markets this phenomenon is not unknown. Commonly, stocks in this position are those of companies in chronically depressed industries or of marginal companies in a highly competitive industry, or of companies having management troubles.

In 1932 the author prepared a problem for inclusion in a mimeographed investment problems book for student use. This problem presented a portfolio of common stocks that as of Jan. 2, 1932, sold at near the net cash asset value as here defined. Some of these sold below the cash asset value, while others sold only slightly above that figure. This problem did not present the portfolio as one recommended for purchase, but only as one selected on this basis for the purpose of tracing its subsequent market behavior.

Nevertheless, it is a portfolio of low priced stocks selected on this particular basis in 1932. It seems appropriate to trace the subsequent market behavior of this group of low priced stocks. The portfolio is shown below:

	Approximate Net Cash Assets Per Share at Jan. 2, 1932	Price Jan. 2, 1932
Congoleum-Nairn	$7.00	$8.00
Howe Sound	10.00	13.00
Hupp Motors	5.50	4.12
Lima Locomotive	19.00	14.00
Magma Copper	9.00	8.00
Motor Products	15.50	21.00
Munsingwear	17.00	11.50
Nash Motors	13.50	16.12
New York Air Brake	5.00	6.00
Oppenheim Collins	9.50	8.25
Reo Motors	3.00	3.00
Stewart Warner	3.50	5.12
White Motors	11.00	8.62

A portfolio of 10 shares of each of these stocks would have cost $1,257.50 on Jan. 2, 1932. The subsequent year-end values, after adjustment for capital changes, are shown below, together with Standard and Poor's 50 Industrial Stock Average for the same dates.

	Cash Asset Portfolio	Standard and Poor's 50 Industrials	Relative to January 2, 1932 Cash Asset Portfolio	Stand. & Poor's Industrials
Jan. 2, 1932 cost	$1,257.50	60.1	100%	100%
1933	2,300.00	92.3	183	153
1935	3,470.00	127.2	276	212
1937	2,568.75	102.2	204	170
1939	2,667.50	121.2	212	201
1941	1,850.30	87.5	147	146
1943	2,823.75	115.6	224	192
1945	5,300.00	167.2	421	278
1947	3,992.00	151.2	317	252
1949	3,494.50	164.3	278	273
1951	4,573.10	241.4	364	402
1952	4,469.75	267.9	355	446

There is probably no striking difference between the dividend yields of this group of cash asset stocks and yields on the stocks in the Averages. In 1932 only seven of the 13 stocks in this specialized portfolio paid dividends, and the return was only 3.8% on the Jan. 2, 1932, cost. In 1952 only two stocks failed to pay a dividend and the yield was 6.4% on the year-end valuation.

The best performers in the list were Reo Motors, New York Air Brake, and Howe Sound. The worst performers were Hupp Motors and Nash Motors.

The post-1945 divergent trends of secondary stocks and blue chips is evident here as it was in the case of the "Pauper's Investment Trust." The high was in 1945 rather than 1952, although the Standard and Poor's Averages moved up in an impressive way, especially from 1949 through 1952.

The performance of these cash asset stocks was not at all unsatisfactory. Only in the last two years did the Standard and Poor's stocks move ahead of the cash asset portfolio. Until 1949 this portfolio clearly outperformed the averages. This was true in spite of the fact that the list was entirely lacking in "romance stocks." As a matter of fact, it appears to have more than a due share of marginal companies. The fact that the high was in 1945 (if complete data were available this would probably have been 1946) indicates that this was a list of secondary stocks.

The starting point, Jan. 2, 1932, was close to the low point of the cycle, and this seems to offer at least a partial explanation for the performance of this low priced portfolio. At this point the cash asset stocks had fallen much more from their 1929 highs than had the stocks in the Standard and Poor's list. This means that if the test period had begun earlier, the cash asset stocks would perhaps not have shown a superior performance.

But, nevertheless, it does appear that large financial resources in relation to stock price was a factor of some importance. This portfolio was made up generally of highly marginal secondary issues, and it is perhaps significant that all survived and were able to participate in some measure in the recovery and subsequent war boom.

Conclusions

It would be absurd to assert that analysis and comparison of the performance of these three portfolios *proves* anything in particular. Certainly we cannot be sure that stock groups will perform in the next cycle as they did in previous cycles. But this does not mean that nothing is to be learned from the past. A great deal is to be learned from the past, but it is necessary to be extremely cautious in making conclusions from inadequate or partial data. This is indeed the curse of economic inquiry—we must depend on time series, but no time series, however long, is a fair sample of the future.

With these reservations it is perhaps in order to suggest that analysis and comparison of the performance of these portfolios point up the following:

(1) Investment timing is always important, but it is unusually important in the case of low priced stocks.

(2) It is dangerous to select a low priced portfolio just on the basis of price. Low pricedness and intelligent selection together are most likely to produce profits unless the timing is especially unfortunate. It is not necessarily true that the stocks that have shown greatest declines will necessarily rise a great deal.

(3) Large cash assets in relation to stock price is a factor of some importance, but many other factors need to be given equal or greater attention.

Without doubt some analysts will consider that the above suggestions belong in the "so what" department. Perhaps they do. Certainly the suggestions are not revolutionary or even new, and quite possibly they are common sense conclusions which do not need the support of formal evidence or data. But the evidence found in the data and analyses here presented may perhaps add a little to their validity.

E. F. Hutton Adds

(Special to The Financial Chronicle)

HOLLYWOOD, Calif.—Rosa L. Letcher has been added to the staff of E. F. Hutton & Company, 6315 Hollywood Boulevard.

With Standard Investment

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James A. Andy has become connected with Standard Investment Co. of California, 210 West Seventh Street.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Mitchell T. Curtis is now with Mutual Fund Associates, 444 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

This Is No Part Time Business That Can Be Taken Lightly

"After all," said an acquaintance to me the other day, "I don't see why I shouldn't take a desk in some good broker's office and sell a few mutual funds in my spare time. I am retired but I am getting sort of fed up with mowing the lawn, loafing and listening to a lot of old timers tell me about 'the good old days.' What do you think of the idea?" I asked him if he wanted my candid opinion and he said that he did. I said, "All right then, it's as simple as A B C. Don't do it." He was somewhat surprised and asked me why I was so certain that it was the wrong thing to do. To this I replied.

I've watched several score of men during the past few years who had the same idea. They were all intelligent and had been successful as manufacturers, proprietors of retail businesses, business executives, and were in good health. I even remember one retired dentist who was used to standing on his feet all day, and who gave up the ghost after about two weeks because he found that all he had to show for day after day of pavement pounding was some sore feet. All these men believed in mutual funds, in fact they owned securities and had been investors for many years. Not a single one of them made the grade. Some worked spasmodically, others went about the job with insufficient preparation, and to a man they decided that part time selling was just too much work for them to accomplish anything worthwhile. It wasn't as easy as they had thought it would be. *None of them was willing to start at the bottom and do the things that are necessary if you are going to build a clientele of investors.*

Selling Securities Is a Profession That Requires Constant Work

There is quite a bit of difference between being an investor in mutual funds and going out and finding other people who will buy them. First of all, if a man thinks he can pick up a few extra dollars just by sitting around a broker's office and making the acquaintance of some likely prospects he's in a "day dream." It can't be done that way. If he has time on his hands and he thinks he might find a cool to gossip and kill time, then he's going to waste the time of other men who are in his office, and who are not going to be able to spare the precious minutes and hours he will wish to use up in idle talk.

If a man enters the investment business just to invest some spare time and make a few dollars on the side, he's on the wrong track right from the start. When you do something from the selfish aspect of "what can I get out of this" rather than from the viewpoint that says, "How can I help others," you have the wrong attitude toward this business or any other for that matter. When people entrust their investments to you and you advise them on such an important subject as this, then it is no part time proposition to them and it should not be to you.

Certainly if we ever expect to lift our business to the heights of productive efficiency and public confidence that should exist in the minds of the American people, then we will have to discontinue hiring part time people, and all others who without training, background and experience, think they can go out and sell securities. This may be hard on some mighty nice folks who are part time salesmen—possibly a few of them have the training, the skill and the common sense to work successfully among their customers and their fellow salesmen—but for my part, I don't think much of the idea. Either you are in this business all the way, day after day, learning, working, keeping posted, seeing people, helping them to solve their investment problems, lending a hand to your fellow associates in your office in cooperative effort on underwritings, new issues and special offerings, or you are just on the outside looking in.

One of the best rules I ever heard was, "If a thing is worth doing at all it is worth doing well, or else don't do it."

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)	Aug. 16	§96.9	*94.0	94.7	93.3
Equivalent to— Steel ingots and castings (net tons)	Aug. 16	§2,184,000	*2,119,000	2,134,000	1,938,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 1	6,556,750	6,568,700	6,451,100	6,132,150
Crude runs to stills—daily average (bbls.)	Aug. 1	¶7,024,000	7,125,000	7,053,000	7,033,000
Gasoline output (bbls.)	Aug. 1	24,783,000	24,954,000	24,044,000	23,318,000
Kerosene output (bbls.)	Aug. 1	2,314,000	2,212,000	2,337,000	2,678,000
Distillate fuel oil output (bbls.)	Aug. 1	9,774,000	10,023,000	10,457,000	10,510,000
Residual fuel oil output (bbls.)	Aug. 1	8,586,000	8,778,000	8,860,000	8,544,000
Stocks at refineries, bulk terminals, in transit, in pipe lines— Finished and unfinished gasoline (bbls.) at	Aug. 1	143,423,000	143,446,000	144,497,000	116,243,000
Kerosene (bbls.) at	Aug. 1	30,732,000	30,312,000	27,874,000	27,638,000
Distillate fuel oil (bbls.) at	Aug. 1	102,651,000	98,114,000	86,274,000	86,128,000
Residual fuel oil (bbls.) at	Aug. 1	49,547,000	48,886,000	44,738,000	51,414,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 1	793,754	780,705	670,232	733,076
Revenue freight received from connections (no. of cars)	Aug. 1	637,611	633,114	618,254	584,328
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 6	$326,510,000	$297,471,000	$191,626,000	$253,106,000
Private construction	Aug. 6	220,942,000	179,162,000	59,523,000	103,827,000
Public construction	Aug. 6	105,568,000	118,309,000	132,103,000	149,279,000
State and municipal	Aug. 6	84,622,000	95,214,000	86,732,000	85,770,000
Federal	Aug. 6	20,946,000	23,095,000	45,371,000	63,509,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 1	9,200,000	9,160,000	1,630,000	8,302,000
Pennsylvania anthracite (tons)	Aug. 1	589,000	603,000	84,000	714,000
Beehive coke (tons)	Aug. 1	96,300	*98,600	54,100	23,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 1	86	83	79	87
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 8	8,463,616	8,511,622	8,096,149	7,495,322
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 6	195	182	139	123
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 4	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Aug. 4	$56.76	$56.76	$56.01	$55.26
Scrap steel (per gross ton)	Aug. 4	$44.58	$44.92	$43.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper— Domestic refinery at	Aug. 5	29.700c	29.700c	29.700c	24.200c
Export refinery at	Aug. 5	29.550c	29.450c	29.625c	34.525c
Straits tin (New York) at	Aug. 5	78.750c	79.500c	87.000c	121.500c
Lead (New York) at	Aug. 5	14.000c	14.000c	13.500c	16.000c
Lead (St. Louis) at	Aug. 5	13.800c	13.800c	13.300c	15.800c
Zinc (East St. Louis) at	Aug. 5	10.890c	11.000c	11.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 11	93.18	93.30	93.26	96.81
Average corporate	Aug. 11	104.14	104.14	103.30	109.79
Aaa	Aug. 11	109.06	108.88	107.80	114.27
Aa	Aug. 11	106.21	106.21	105.52	112.19
A	Aug. 11	103.13	102.96	102.13	109.42
Baa	Aug. 11	98.57	98.73	98.41	103.97
Railroad Group	Aug. 11	102.30	102.30	101.14	107.27
Public Utilities Group	Aug. 11	103.64	103.64	103.47	109.42
Industrials Group	Aug. 11	106.56	106.21	105.34	113.12
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 11	2.99	3.00	3.00	2.72
Average corporate	Aug. 11	3.50	3.50	3.55	3.18
Aaa	Aug. 11	3.22	3.23	3.29	2.94
Aa	Aug. 11	3.38	3.38	3.42	3.05
A	Aug. 11	3.56	3.57	3.62	3.20
Baa	Aug. 11	3.84	3.83	3.85	3.51
Railroad Group	Aug. 11	3.61	3.61	3.68	3.32
Public Utilities Group	Aug. 11	3.53	3.53	3.54	3.20
Industrials Group	Aug. 11	3.36	3.38	3.43	3.00
MOODY'S COMMODITY INDEX	Aug. 11	417.5	418.4	423.8	438.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 1	255,766	185,853	338,713	256,287
Production (tons)	Aug. 1	251,865	237,654	227,070	208,818
Percentage of activity	Aug. 1	95	93	86	84
Unfilled orders (tons) at end of period	Aug. 1	522,529	522,123	566,985	444,210
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 7	106.32	106.23	106.18	109.61
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 25	18,020	21,116	19,837	22,176
Number of shares	July 25	531,325	578,884	558,766	637,307
Dollar value	July 25	$23,920,924	$26,585,273	$25,089,008	$30,115,619
Odd-lot purchases by dealers (customers' sales)— Number of orders—Customers' total sales	July 25	17,948	17,888	17,186	19,439
Customers' short sales	July 25	133	173	108	105
Customers' other sales	July 25	17,815	17,715	17,078	19,334
Number of shares—Total sales	July 25	489,415	488,900	476,211	536,070
Customers' short sales	July 25	4,870	6,079	4,071	3,606
Customers' other sales	July 25	484,545	482,821	472,140	532,464
Dollar value	July 25	$19,369,069	$19,742,000	$18,921,947	$22,834,189
Round-lot sales by dealers— Number of shares—Total sales	July 25	153,220	144,360	139,080	147,760
Short sales	July 25	------	------	------	------
Other sales	July 25	153,220	144,360	139,080	147,760
Round-lot purchases by dealers— Number of shares	July 25	198,000	248,550	241,760	260,340
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	July 18	240,150	204,920	279,380	219,550
Other sales	July 18	4,553,360	4,510,360	5,593,240	5,247,660
Total sales	July 18	4,793,510	4,715,280	5,872,620	5,467,210
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered— Total purchases	July 18	514,880	441,690	643,110	538,450
Short sales	July 18	92,440	83,170	111,000	124,700
Other sales	July 18	420,290	387,240	507,900	438,050
Total sales	July 18	512,730	470,410	618,900	562,750
Other transactions initiated on the floor— Total purchases	July 18	90,140	82,610	149,250	107,340
Short sales	July 18	22,900	13,400	18,000	11,400
Other sales	July 18	101,250	95,440	122,740	101,300
Total sales	July 18	124,150	108,840	140,740	112,700
Other transactions initiated off the floor— Total purchases	July 18	212,420	208,630	219,140	203,038
Short sales	July 18	42,360	38,200	67,820	43,670
Other sales	July 18	203,460	240,450	282,895	264,565
Total sales	July 18	245,820	278,650	350,715	308,235
Total round-lot transactions for account of members— Total purchases	July 18	817,440	732,930	1,011,500	848,825
Short sales	July 18	157,700	134,770	196,820	179,770
Other sales	July 18	725,000	723,130	913,535	803,915
Total sales	July 18	882,700	857,900	1,110,355	983,685
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group— All commodities	Aug. 4	110.3	110.5	109.8	111.9
Farm products	Aug. 4	96.5	97.4	95.1	110.1
Processed foods	Aug. 4	104.2	104.9	102.8	110.4
Meats	Aug. 4	93.5	96.9	89.8	115.5
All commodities other than farm and foods	Aug. 4	114.5	114.5	114.4	112.7

*Revised figure. ¶Includes 629,000 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
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.— U. S. DEPT. OF LABOR—Month of May (000's omitted):			
All building construction	$907,930	*$1,015,568	$829,940
New residential	482,747	*534,409	512,305
New nonresidential	311,588	*362,123	211,040
Additions, alterations, etc.	113,595	*119,037	106,595
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of June	8,926	8,968	7,819
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of June 30:			
Total consumer credit	$27,051	$26,715	$22,446
Instalment credit	20,489	20,078	16,032
Automobile	9,630	9,379	6,974
Other consumer goods	5,289	5,231	4,324
Repair and modernization loans	1,454	1,426	1,178
Personal loans	4,116	4,042	3,556
Noninstalment credit	6,562	6,637	6,414
Single payment loans	2,047	2,162	2,054
Charge accounts	2,784	2,760	2,661
Service credit	1,731	1,715	1,699
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of June:			
Sales (average monthly), unadjusted	97	97	93
Sales (average daily), unadjusted	95	99	95
Sales (average daily), seasonally adjusted	98	101	98
Stocks, unadjusted	109	119	*104
Stocks, seasonally adjusted	116	116	*112
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of June:			
Weekly earnings— All manufacturing	$72.04	*$71.63	$66.83
Durable goods	77.61	*77.19	71.69
Nondurable goods	63.36	63.20	60.44
Hours— All manufacturing	40.7	*40.7	40.5
Durable goods	41.5	*41.5	41.2
Nondurable goods	39.6	39.5	39.5
Hourly earnings— All manufacturing	$1.77	*$1.76	$1.65
Durable goods	1.87	*1.80	1.74
Nondurable goods	1.60	1.60	1.53
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of July:			
Copper (per pound)— Electrolytic domestic refinery	29.687c	29.688c	24.200c
Electrolytic export refinery	29.482c	29.699c	34.815c
Lead (per pound)— Common, New York	13.683c	13.413c	16.000c
Common, St. Louis	13.483c	13.213c	15.800c
‡‡Prompt, London	£93.152	£88.690	------
‡‡Three months, London	£90.318	£84.363	------
Silver and Sterling Exchange— Silver, New York (per ounce)	85.250c	85.250c	82.886c
Silver, London (pence per ounce)	74.000d	74.000d	72.609d
Sterling Exchange (Check)	$2.81530	$2.81366	$2.78827
Zinc (per pound)—East St. Louis	11.000c	11.000c	15.000c
‡‡Zinc, London, prompt	£73.323	£70.651	------
‡‡Zinc, London, three months	£73.530	£70.670	------
Tin (per pound)— New York Straits	81.577c	92.899c	121.500c
§§New York, 99% min.	80.577c	91.899c	120.500c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$190.462	$191.923	$189.808
¶Antimony (per pound) (E. & M. J.)	37.970c	37.970c	42.470c
Antimony (per pound) bulk, Laredo	34.500c	34.500c	39.000c
Antimony (per pound) in cases, Laredo	35.000c	35.000c	39.500c
Platinum, refined (per ounce)	$93.000	$92.654	$90.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.25000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.32500
§Cadmium (per pound)	$2.15000	$2.15000	$2.40000
Cobalt, 97%	$2.40000	$2.40000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.000c	20.500c	19.000c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	56.500c
NEW YORK STOCK EXCHANGE— As of June 30 (000's omitted):			
Member firms carrying margin accounts— Total of customers' net debt balances	$1,684,471	*$1,670,955	*1,322,264
Credit extended to customers	34,654	39,830	32,051
Cash on hand and in banks in U. S.	282,426	286,140	362,979
Total of customers' free credit balances	658,688	*673,211	713,874
Market value of listed shares	113,306,468	115,371,199	114,488,919
Market value of listed bonds	99,454,004	98,984,902	95,964,179
Member borrowings on U. S. Govt. issues	106,494	71,828	210,346
Member borrowings on other collateral	1,255,538	1,230,034	951,841
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941 = 100 — As of May 15:			
Unadjusted— All farm products	261	259	293
Crops	243	247	270
Food grain	242	244	245
Feed grain and hay	205	206	227
Tobacco	426	424	436
Cotton	268	266	303
Fruit	224	226	190
Truck crops	182	204	285
Oil-bearing crops	285	289	280
Livestock and products	277	270	313
Meat animals	317	299	394
Dairy products	257	264	281
Poultry and eggs	218	218	175
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of May (000's omitted):			
Savings and loan associations	$641,425	$641,557	$557,269
Insurance companies	132,771	127,215	114,293
Bank and trust companies	317,314	325,488	303,179
Mutual savings banks	110,861	102,028	90,375
Individuals	245,576	251,790	233,659
Miscellaneous lending institutions	250,687	260,545	212,713
Total	$1,698,634	$1,708,623	$1,511,488

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to platers. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation, per long ton, at morning session of London Metal Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Irving Trust Company of New York announced on Aug. 10 three promotions in the staff that serves its international banking customers. Eric P. Anderson was named an Assistant Vice-President and Pierce M. Davis and Ernest D. Shaw were appointed Assistant Secretaries. Mr. Anderson specializes in the company's Far Eastern business. He joined the Irving in 1930 following banking experience in this country and abroad. Mr. Davis will also be active in the Far Eastern District. Mr. Shaw is head of the Commercial Letter of Credit Department.

* * *

George M. Bragalini, recently Acting Postmaster of New York City, has been appointed a Vice-President of **Manufacturers Trust Company of New York,** it was announced on Aug. 6 by Horace C. Flanigan, President. In his new capacity Mr. Bragalini will be supervising officer of the bank's 14 offices in the Borough of Queens. Mr. Bragalini joined Manufacturers Trust Co. in December, 1941 through a merger with one of its constituent banks. In March, 1948, he was placed in charge of the bank's University Place Office, Ninth Street and University Place, where he remained until his appointment as Acting Postmaster on May 2, 1952. In that office, Mr. Bragalini served until March 31, 1953, returning to the bank thereafter.

* * *

William H. Moore, Vice-President of **Bankers Trust Company of New York** has been named head of the bank's Metropolitan Division, it was announced on Aug. 12. Mr. Moore, a graduate of Yale University, has been with the bank since 1938, and was formerly in charge of the bank's business in the Far West.

* * *

A merger of the **State Bank of Chatham, N. Y.,** with the **State Bank of Albany, N. Y.,** became effective July 20 following approval by the New York State Banking Department. It was also made known by the Banking Department on July 20 that approval was given to the State Bank of Albany to increase its capital stock from $4,069,000, in 406,900 shares of common stock (par $10 per share) to $4,269,000, in 426,900 shares of the same par value. The State Bank of Chatham has become a branch of the State Bank of Albany. The **State Safe Deposit Company of Albany,** incident to the merger of the Chatham Bank, has opened a branch in Chatham. Plans as to this were noted in our June 4 issue, page 2424.

The Citizens Bank of Locke, N. Y., a state bank member of the Federal Reserve System, was absorbed on July 1 by the **National Bank of Auburn, at Auburn, N. Y.,** according to an announcement by the Board of Governors of the Federal Reserve System. The bank at Locke has become a branch of the Auburn bank.

* * *

The consolidation is announced effective July 31 of the **Hartford National Bank & Trust Co. of Hartford, Conn.,** the **New London City National Bank of New London, Conn.** (common stock $750,000) and the **National Bank of Commerce of New London** (with common stock of $600,000). The consolidation was effected under the charter and title of the Hartford National Bank & Trust Co. which had a common stock of $6,000,000. At the effective date of the consolidation, the consolidated bank had a capital stock of $7,050,000, in 705,000 shares of common stock (par $10 each); surplus of $7,050,000 and undivided profits of not less than $3,960,000. Various branches of the consolidating banks have been authorized to continue operation.

* * *

The death on Aug. 8 was announced by the Philadelphia "Inquirer" of Eugene Walter, a Vice-President of the **Central Penn National Bank of Philadelphia.** The "Inquirer" states that Mr. Walter, who at his death was 70 years of age, started as a runner for the **Southwestern National Bank,** 50 years ago and eventually became President of the institution. When Southwestern merged with Central Penn he was named a Vice-President and was located at the Broad and South Sts. branch.

* * *

The **Myerstown National Bank of Myerstown, Pa.** with common stock of $125,000, was merged with and into the **Myerstown Trust Co. of Myerstown** under the charter of the latter and under the title of the **Myerstown Bank and Trust Co.,** effective July 18, according to the weekly Treasury Department Bulletin of August 10 issued by the Comptroller of the Currency.

* * *

The capital of the **Central National Bank at Cambridge, Ohio,** was increased effective July 22 from $100,000 to $200,000 by the sale of $100,000 of new stock.

* * *

The enlarged capital of the **La Salle National Bank of Chicago, Ill.,** increased from $2,000,000 to $2,500,000, became effective on July 24. The issuance of new stock to the amount of $500,000, served to increase the capital, and an item indicating that stockholders of record June 24 were given the right to subscribe to 20,000 additional shares before July 24 (par $25) on the basis of one new share for each four shares held, appeared in our issue of June 24, page 2777. The new stock was offered at $40 per share.

* * *

The Birmingham National Bank of Birmingham, Mich., reports as of July 30 a capital of $600,000, the sale of $100,000 of new stock having served to increase the amount from $500,000.

* * *

The Live Stock National Bank of Omaha, Neb., has increased its capital stock from $1,000,000 to $1,500,000 by the declaration of a stock dividend. The $500,000 dividend will be transferred from the bank's present undivided profits and will give Live Stock National a combined capital and surplus of $3,000,000. This announcement was made by Henry C. Karpf, President, after a special meeting of the shareholders of the bank. In making this announcement, Mr. Karpf pointed out that the total capital structure of the bank had now reached $3,950,000, as compared with the initial capital of $100,000 when the bank was organized in 1907.

* * *

A stock dividend of $100,000 has brought about an increase, effective July 29, in the capital of the **American National Bank of Lawton, Okla.,** from $10,000 to $200,000.

* * *

As of July 9 the **American National Bank of San Bernardino, Calif.,** increased its capital from $500,000 to $600,000 by the sale of $100,000 of new stock. The American National Bank of San Bernardino on July 17 took over the **American National Bank of Big Bear Lake, Calif.** (capital $50,000), the latter thereupon having been placed in voluntary liquidation.

* * *

The United States National Bank of Portland, Oregon, opened its 42nd branch on Aug. 3 following the purchase of the **First National Bank of Hermiston, Oregon.** Prior to the merger, the transaction was approved by the Comptroller of the Curerncy and the directors of both banks, according to E. C. Sammons, President of the United States National. The Hermiston bank, it is stated, had deposits in excess of $4,800,000 on June 30 of this year. The bank was established by F. B. Swayze in 1906 with a capital structure of $25,000. It was chartered as a National bank two years later. The bank has been under the operation of the Swayze family since its organization. Officers were F. M. Swayze, son of the founder, President; A. H. Norton, Vice-President; and R. J. Skarloken, Cashier. J. H. Innes will be Manager of the new branch, Mr. Sammons stated, and Messrs. Norton and Skarloken will be Assistant Managers. F. M. Swayze, who has served as President of the Hermiston Bank since January, 1951, will retire from the banking field.

Continued from page 2

The Security I Like Best

able conditions for gold mining the Company is in a position to increase its production by nearly 100% and without recourse to the heavy capital expenditures involved in a mill expansion program. Actually, Preston's milling capacity is close to 1,100 tons per day. In recent years output has been held to an average of only 600 tons daily.

The Company's dividend record is unbroken since 1939 when mining commenced. Last year a disbursement of 8c per share was made on the three million shares outstanding. Total dividend payments have amounted to about $5.5 million.

Preston's financial condition is considered more than adequate for all foreseeable contingencies. Current assets including cash, government bonds and bullion in transit amount to $1,117,000, and exceed current liabilities by a ratio of 3.5 to 1. Capitalization consists solely of three million common shares, there being no debt nor preferred stock.

However, aside from the strong indications of continued profits from Preston East Dome's basic gold operation, there exists a clear possibility that the Company is destined to become one of the major factors in uranium production. Last June it became known that a small exploration company, associated with Preston through an interrelated directorate, had uncovered a spectacular uranium "find" midway between the Sault Ste. Marie and the Sudbury Mining District. A series of 36 diamond drill holes spaced 100 feet apart had established an orebody nearly 4,000 feet in length. Minimum tonnage at that time was estimated at 1,300,000 tons, conservatively valued at $17.40 per ton based on assays. Since that time deep diamond drilling has been adding tonnage, and new discoveries on strike have been found both to the East and West. Admittedly, a great deal of geological development work lies ahead. A thorough and lengthy program of diamond drilling must be conducted before the true significance of the new orebodies can be appraised. However, as a result of prospecting and drilling to date, the new discoveries seem to be taking the shape of a gigantic figure "S" with an over-all length of perhaps 60 to 80 miles. It is altogether probable that a great new mining camp is in the making. One of the most impressive features of the program is the rate at which discoveries are being made under geological conditions that are ideal for continuity and large size. Open pit mining methods will, in all probability, be employed over much of the area.

Previous uranium discoveries in Canada have been made in remote areas, far from established systems of transportation and power. It is worthy of note that the Preston properties are located on Canada's "Main Street of mining." The holdings are traversed by the Trans-Canada highway and are in close proximity to the Canadian Pacific Railway. Cheap electric power is available. All this spells low cost mining.

Preston and associates, by virtue of being first on the scene, have staked literally hundreds of claims carefully selected by the technical staff as being prime acreage. Drilling news from the region will be forthcoming for a long time.

That uranium will play a major part in the industrial economy of the not distant future, is undisputed. That the U. S. Government has appropriated $12 billion for atomic research since 1940, is most significant. Today some of the largest chemical, industrial, and utility companies are engaged in atomic research, construction or operation. Many scientists believe that over the next decade, a new industry will be built around uranium that will rival petroleum in size and shape.

Considering its gold mining operations alone, the assets of Preston East Dome would seem to justify a price of at least $2½ per share. This evaluation is based on actual and indicated ore reserves, net working capital and replacement cost of the mining plant. Thus at the current market price, Preston's shares appear to involve a minimum of risk. On the other hand, there exists a potential which could well result in a very wide percentage of capital appreciation.

Railroad Securities

Gulf, Mobile & Ohio

One of the old semi-investment trading favorites that has been neglected for some time is Gulf, Mobile & Ohio common. The stock for some months has been selling in a narrow range, just about mid-way between the year's high and low. Probably at least in part this mediocre market performance has been due to disappointment in some quarters with the failure of the dividend to keep pace with the favorable trend of earnings. The present rate is only $2.00 a share annually, which is rather small in relation to available reported income.

Conservative policies have been dictated by the comprehensive program of property rehabilitation and the heavy purchases of new power and rolling stock. Also, in purchasing the new equipment the company has built up a sizable equipment debt and for the time being the serial maturity requirements are quite heavy. As a matter of fact, such annual maturity requirements are at present absorbing just about the full total of the combined depreciation of equipment and roadway property. With this background, investment people close to the company are inclined to doubt that there is any real likelihood of any increase in the regular rate over the near and intermediate terms, although in some quarters it is felt that an extra may be distributed before the end of 1953.

Be that as it may, and regardless of intermediate term dividend policies, many rail analysts consider the stock to have considerable appeal on the basis of the fundamentally favorable status of the road, and its long-term prospects. These analysts point out that in the long run the conservative dividend policies are all to the good in improving the underlying earning power of the equity and the basic credit standing of the railroad. Eventually this must almost inevitably be reflected in a growing investor confidence in the road's securities and in an evaluation of the stock, marketwise, more nearly in line with earnings.

The improvement in Gulf, Mobile & Ohio's operating performance in the post-war years has been little short of phenomenal. The management was one of the pioneers in the use of diesel power for road freight service and the company was one of the first to become fully dieselized. This, and other property improvements and changes in operating procedures, have been reflected dramatically in the trend of the transportation ratio. In 1951 the company joined that select group of carriers with transportation ratios below 30%, and with further economies last year the ratio was cut to 28.6%. This favorable trend has continued in the current year. Indicative of just how much has been accomplished, the transportation ratio for the first six months of 1953 amounted to 28.5%. This was 11.9 points lower than for the initial half of the first post-war year, 1946. At the present level of business each point is equivalent to $0.50 a share of common stock, after Federal income taxes at 52%.

Last year Gulf, Mobile & Ohio reported earnings of $6.94 a share on its common stock, before sinking funds. With a modest increase of 4.6% in gross revenues for the first half of the current year, and with the operating ratio off nearly two points, net income for the period climbed more than 21%. Share earnings on the common for the six months came to $4.06 compared with $3.21 a share earned in the opening half of 1952. Even without any year-to-year improvement in the second half this would work out to $7.79 a share for the full year 1953. Actually, some further improvement is expected and it now looks as if final results may top $8.00. The stock has been selling at little more than four times such prospective earnings.

One further favorable aspect of the Gulf, Mobile & Ohio picture is the growth characteristics of large parts of the territory served. Industrial development in the southern area and expansion of the ports of Mobile and New Orleans are particularly important, and these trends continue. Starting early next year the company will have an entirely new source of freight revenue in the import movement of iron ore from Venezuela through Mobile to Birmingham. It is expected that this new traffic will be highly profitable and it should continue to grow. Thus, while the transportation ratio appears to be approaching its practical minimum and no important reduction in maintenance outlays is in prospect in the near future, earnings could well continue to increase under the stimulus of the continued increase in the traffic potential.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

★ **Aetna Life Insurance Co., Hartford, Conn.**
Aug. 10 (letter of notification) not exceeding 252 shares of capital stock (par $10). **Price**—At market, plus $1 dividend declared but unpaid (estimated at $78.50 per share). **Proceeds**—To holders of fractional scrip certificates issued March 2, 1953. **Underwriter**—None.

★ **American First Title & Trust Co., Oklahoma City, Okla.**
Aug. 7 (letter of notification) 4,000 shares of common stock. **Price** — At par ($25 per share). **Proceeds** — For working capital in business of abstracting real estate titles and guaranteeing titles. **Office**—120 N. Robinson St., Oklahoma City, Okla. **Underwriter**—None.

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.

● **Applied Science Corp. of Princeton (8/17)**
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, who will borrow the remainder to repay bank loans and for working capital. **Underwriter** — C. K. Pistell & Co., Inc., New York.

★ **Appleby (A. D.) Industries, Inc., Lubbock, Tex.**
Aug. 5 (letter of notification) $80,000 of five-year 7% convertible debentures (convertible into no par common stock at $100 per share). **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds** — For working capital and for bit manufacturing machinery. **Office**—402 15th St., Lubbock, Tex. **Underwriter**—None.

● **Arizona Bancorporation, Phoenix, Ariz.**
July 17 filed 150,000 shares of common stock to be offered for subscription by common stockholders of record Aug. 6 on the basis of three-quarters of a new share for each share held (with oversubscription privileges); rights expire Sept. 15. **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.

Automatic Electric Windows, Inc.
July 17 (letter of notification) 299,850 shares of common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — Woodside, L. I., N. Y. **Underwriter**—Royal Securities Corp., New York.

★ **Automatic Steel Products, Inc., Canton, Ohio**
Aug. 10 (letter of notification) 17,145 shares of preferred stock (par $1) to be issued in exchange for 1,143 shares of preferred stock (no par) of The Cleveland Tapping Machine Co. on the basis of 15-for-1. **Underwriter**—None.

★ **Beneficial Loan Corp., Wilmington, Del. (8/27)**
Aug. 7 filed $20,000,000 of debentures. **Price, etc.**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—Eastman, Dillon & Co., New York.

★ **Blackwater Gas & Oil Corp., N. Y. (8/20)**
Aug. 6 (letter of notification) 299,500 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For well drilling and working capital. **Office**—Room 702, 60 Wall St., New York, N. Y. **Underwriter**—Charles J. Maggio, Inc., New York; Jackson & Co., Boston, Mass.; and Claybaugh Securities Co., Harrisburg, Pa.

● **Brunner Manufacturing Co., Utica, N. Y.**
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. **Offering**—Expected today or tomorrow (Aug. 13 or 14).

● **Buckeye Incubator Co., Springfield, Ohio**
July 27 (letter of notification) 215,000 shares of common stock (par $1) being offered for subscription by common stockholders of record Aug. 3 at the rate of 86 shares for each 100 shares held (with an oversubscription privilege); rights to expire Aug. 31. **Price**—$1.35 per share. **Proceeds**—To retire debt. **Office**—504 W. Euclid Ave., Springfield, O. **Underwriters** — Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

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. Statement effective Aug. 3.

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.

★ **Central Hudson Gas & Electric Corp. (8/31-9/1)**
Aug. 11 filed $6,000,000 of convertible debentures due Sept. 1, 1963; and 159,978 shares of common stock (no par), of which 139,978 shares will be offered for subscription by stockholders of record Sept. 9 at rate of one new share for each 15 shares held, with rights to expire Sept. 24 and the balance will be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—To be supplied by amendment. May be Kidder, Peabody & Co. and Estabrook & Co. (jointly).

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.

★ **Colorado Mining Corp., N. Y.**
Aug. 5 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For machinery and equipment and for working capital. **Office**—217 Broadway, New York, N. Y. **Underwriter**—Baruch & Co., Inc., New York.

Combined Locks Paper Co. (8/18)
July 28 filed 100,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Hemphill, Noyes & 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.

DeKalb & Ogle Telephone Co., Sycamore, Ill.
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholdes 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.

★ **Doman Helicopters, Inc., Danbury, Conn.**
Aug. 4 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital to reduce notes payable by $100,000 and for use in C. A. A. certification of the LZ-5, which is designed to meet specific needs of the Army Field Forces. **Underwriter**—May be Cohu & Co., New York, of which C. Gerard Dodge, a partner, is a director of Doman Helicopters, Inc.

Duke Power Co., Charlotte, N. C. (9/1)
July 30 filed $35,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected to be received to 11:30 a.m. (EDT) on Sept. 1.

● **Duke Power Co., Charlotte, N. C. (9/2)**
July 30 filed 208,321 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 2, 1953 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire on Sept. 18. **Price**—To be supplied by amendment (expected at $30 per share). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

NEW ISSUE CALENDAR

August 15 (Saturday)
Girard Investment Co. ---------- **Preference**
(Offering by company—no underwriting) $300,000

August 17 (Monday)
Applied Science Corp. ---------- **Notes & Stock**
(C. K. Pistell & Co., Inc.) $787,500

August 18 (Tuesday)
Central of Georgia Ry. ---------- **Equip. Trust Ctfs.**
(Bids noon EDT) $5,460,000
Combined Locks Paper Co. ---------- **Class A common**
(Hemphill, Noyes & Co.) 100,000 shares
General Telephone Corp. ---------- **Common**
(Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co., and Stone & Webster Securities Corp.) 300,000 shrs.
Giannini (G. M.) & Co. ---------- **Common**
(G. H. Walker & Co. and Hill, Richards & Co.) 18,316 shrs.

August 19 (Wednesday)
Southern California Water Co. ---------- **Preferred**
(Harris, Hall & Co., Inc. and Smith, Polian & Co.) $1,500,000
Texas International Sulphur Co. ---------- **Common**
(Vickers Brothers) 400,000 shares

August 20 (Thursday)
Blackwater Gas & Oil Corp. ---------- **Common**
(Charles J. Maggio, Inc.; Jackson & Co.; and Claybaugh Securities Corp.) $299,500
Northland Oils, Ltd. ---------- **Common**
(M. S. Gerber, Inc.) $150,000
Pacific Finance Corp. (Calif.) ---------- **Debentures**
(Blyth & Co., Inc. and Hornblower & Weeks) $20,000,000
Plateau Uranium Mining Corp. ---------- **Common**
(Tellier & Co.) $299,850

August 21 (Friday)
Wisconsin Power & Light Co. ---------- **Preferred**
(Smith, Barney & Co. and Robert W. Baird & Co.) $2,000,000

August 24 (Monday)
Minnesota Mining & Manufacturing Co. ---------- **Common**
(Goldman, Sachs & Co.; Kidder, Peabody & Co., and Piper, Jaffray & Hopwood) 145,000 shares

August 25 (Tuesday)
Southern California Edison Co. ---------- **Bonds**
(Bids to be invited) $30,000,000
West Coast Telephone Co. ---------- **Common**
(Blyth & Co., Inc.) 60,000 shares

August 27 (Thursday)
Beneficial Loan Corp. ---------- **Debentures**
(Eastman, Dillon & Co.) $20,000,000

August 31 (Monday)
Denver & Rio Grande Western RR. ---------- **Eq. Tr. Ctfs.**
(Bids to be invited) $3,300,000
Southern Union Gas Co. ---------- **Common**
(Offering to stockholders—not underwritten) 108,250 shares
Wisconsin Power & Light Co. ---------- **Bonds**
(Bids to be invited) $8,000,000

September 1 (Tuesday)
Duke Power Co. ---------- **Bonds**
(Bids 11.30 a.m. EDT) $35,000,000

September 2 (Wednesday)
Duke Power Co. ---------- **Common**
(Offering to stockholders—no underwriting) 208,321 shares

September 9 (Wednesday)
Central Hudson Gas & Electric Corp. ---------- **Debentures**
(Underwriters to be named later) $6,000,000
Central Hudson Gas & Electric Corp. ---------- **Common**
(Offering to stockholders—may be underwritten by Kidder, Peabody & Co. and Estabrook & Co.) 139,978 shares

September 14 (Monday)
Tennessee Gas Transmission Co. ---------- **Debentures**
(Bids 11 a.m. EDT) $20,000,000

September 15 (Tuesday)
Duquesne Light Co. ---------- **Common**
(Bids to be invited) about 150,000 shares
Household Finance Corp. ---------- **Debentures**
(Lee Higginson Corp.) between $20,000,000 and $25,000,000
Ionics, Inc. ---------- **Common**
(Lee Higginson Corp.) 131,784 shares
Louisiana Power & Light Co. ---------- **Bonds**
(Bids noon EDT) $12,000,000
Pacific Telephone & Telegraph Co. ---------- **Debs.**
(Bids to be invited) $50,000,000
Westinghouse Air Brake Co. ---------- **Debentures**
(The First Boston Corp.) $35,000,000

September 17 (Thursday)
Duquesne Light Co. ---------- **Preferred**
(Bids to invited) about $5,000,000

September 22 (Tuesday)
Duquesne Light Co. ---------- **Bonds**
(Bids to be invited) $12,000,000

September 25 (Friday)
American Fidelity & Casualty Co. ---------- **Preferred**
(Geyer & Co.) $750,000

September 30 (Wednesday)
New England Gas & Electric Association ---------- **Common**
(Offering to stockholders—The First Boston Corp. to be dealer-manager) 194,916 shares

October 6 (Tuesday)
Mississippi Power Co. ---------- **Bonds**
(Bids to be invited) $4,000,000

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.

★ **Entz-White Lumber & Supply, Inc.**
Aug. 7 (letter of notification) $80,000 of 20-year 7% debentures (in units of $500 and $1,000 each) and 1,600 shares of common stock (par $1). **Price**—At par. **Proceeds**—To pay note and to increase inventory. **Office**—909 E. Camelback Road, P. O. Box 7246, Phoenix, Ariz. **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.

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.

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.

General Telephone Corp. (8/18)
July 31 filed 300,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To make additional investments in stocks of subsidiaries and temporary advances to subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.; and Stone & Webster Securities Corp.

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.

★ **Giannini (G. M.) & Co., Inc. (8/18)**
Aug. 6 (letter of notification) 18,316 shares of common stock (par $1). **Price** — $12 per share. **Proceeds** — For working capital for manufacture of automatic controls for aircraft and guided missiles. **Office**—117 E. Colorado St., Pasadena 1, Calif. **Underwriters**—G. H. Walker & Co., St. Louis, Mo., and Hill Richards & Co., Los Angeles, Calif.

Girard Investment Co. (8/15)
July 31 (letter of notification) 30,000 shares of 6% cumulative non-participating preference stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—4 North 11th St., Philadelphia, Pa. **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.

Gulf Coast Leaseholds, Inc., Houston, Tex.
July 31 (letter of notification) 60,000 shares of 6¼% cumulative convertible class A stock (par $4) to be offered for subscription by common stockholders at rate of one class A share for each three common shares held. **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—Leason & Co., Inc., Chicago, Ill.

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, being offered for subscription by stockholders of record July 31 in units of one share of stock and a $25 debenture (with an oversubscription privilege); rights will expire Aug. 31. **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.

Industrial Research, Inc., Miami, Fla.
July 29 (letter of notification) 85,000 shares of common stock (par $1). **Price** — $1.15 per share. **Proceeds**—For working capital. **Office**—4016 Northwest 29th St., Miami, Fla. **Business**—Battery experimentation. **Underwriter**—Barham & Co., Coral Gables, Fla.

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 Bankers Life Insurance Co., Ft. Worth, Texas**
Aug. 7 (letter of notification) 13,750 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For investment in securities and for working capital. **Office**—Continental Life Bldg., Fort Worth, Tex. **Underwriter**—None.

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. (9/15)**
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**—Planned for the middle of September.

★ **Janaf, Inc., New York**
Aug. 7 (letter of notification) 29,940 shares of preferred stock (par $10) and 29,940 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—To invest in various types of real estate projects, etc., and for working capital. **Office**—52 Wall St., Suite 2400, New York 5, N. Y. **Underwriter**—None.

Joy Manufacturing Co.
July 29 (letter of notification) 3,630 shares of common stock (par $1). **Price**—At market (about $34.37½ per share). **Proceeds**—For general corporate purposes. **Office**—Third & Buffalo Sts., Franklin, Pa. **Underwriter**—None, but Hallgarten & Co. and R. W. Pressprich & Co. will act as brokers.

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.

★ **Louisiana Power & Light Co. (9/15)**
Aug. 12 filed $12,000,000 first mortgage bonds due 1983. **Proceeds**—To repay $11,342,500 of short-term debt and for new construction. **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.

★ **Marco Industries, Inc., Depew, N. Y.**
Aug. 7 (letter of notification) 24,990 shares of common stock (par $5) to be offered pro rata for subscription by common stockholders. **Price**—$12 per share. **Proceeds**—To pay off loans on machinery and equipment and certain non-trade accounts payable and for working capital. **Business** — Manufactures fractional horsepower electric motors. **Office**—786 Terrace Blvd., Depew, N. Y. **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.

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.

● **Minnesota Mining & Manufacturing Co. (8/24)**
Aug. 6 filed 145,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriters** — Goldman, Sachs & Co.; Kidder, Peabody & Co.; and Piper, Jaffray & Hopwood.

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.

North Idaho Mines, Inc., Kellogg, Ida.
July 31 (letter of notification) 400 shares of common stock (no par). **Price**—$125 per share. **Proceeds**—For exploration. **Address**—Box 298, Kellogg, Idaho. **Underwriter**—Robert G. Sparling, Seattle, Wash.

Northland Oils Ltd., Canada (8/20)
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.

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.

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.

Pacific Finance Corp. (Calif.) (8/20)
July 30 filed $20,000,000 of 4% debentures due 1959. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters** — Blyth & Co., Inc. and Hornblower & Weeks.

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.

Parkmaster Systems, Inc., Spokane, Wash.
July 31 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—215 Paulsen Bldg., Spokane, Wash. **Business**—Manufactures parking devices. **Underwriters**—Pennaluna & Co., and Hachez & Brown, Inc. and Walter J. Nicholls & Co., all of Spokane, Wash.

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.

★ **Petersen Enterprises, Inc., San Francisco, Calif.**
Aug. 10 (letter of notification) 5,500 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Business** — To manufacture rotary-reciprocating air compressor. **Office**—519 California St., San Francisco, Calif. **Underwriter**—None.

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.

★ **Planter's Peat Corp., Coral Gables, Fla.**
Aug. 6 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2.50) and 100,000 shares of common stock (par 50 cents) to be offered in units of one share of each class of stock. **Price**—$2.50 per unit. **Proceeds**—To liquidate liabilities and for working capital. Office—220 Miracle Mile, Coral Gables, Fla. **Business**—To process peat for fertilizer. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

★ **Planter's Peat Corp., Coral Gables, Fla.**
Aug. 6 (letter of notification) 61,000 shares of common stock to be sold to promoters of company. **Price**—At par (50 cents per share). **Proceeds**—For organization expenses.

★ **Plateau Uranium Mining Corp., Grand Junction, Colo. (8/20)**
Aug. 6 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development. **Office**—2969 North Ave., Grand Junction, Colo. **Underwriter**—Tellier & Co., New York.

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.

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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.

Rowland Products, Inc., Kensington, Conn.
July 30 (letter of notification) 2,450 shares of common stock to be offered to stockholders on basis of one new share for each two shares held on July 22. **Price**—At par ($25 per share). **Proceeds** — For working capital. **Office**—Fairview Place, Kensington, Conn. **Underwriter** —None. **Offering**—To be made tomorrow (Aug. 14).

Saint Anne's Oil Production Co.
April 23 filed 165,000 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**—Is imminent.

Schlafly Nolan Oil Co., Inc.
March 25 filed 150,000 shares of common stock (par 25¢). **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**—Indefintely postponed.

Schweser's (Geo.) Sons, Inc., Fremont, Neb.
Aug. 3 (letter of notification) $100,000 of serial debentures due annually 1954-1973, inclusive. **Price**—At par. **Proceeds** — For new retail store. **Underwriter** — Ellis, Holyoke & Co., Lincoln, Neb.

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.

★ **Seeger Refrigerator Co., St. Paul, Minn.**
Aug. 7 (letter of notification) 10,000 shares of common stock (par $5) to be sold to 64 executive and supervisory employees under terms of stock option agreements. **Price** —$20 per share. **Proceeds**—For general corporate purposes. **Office**—850 Arcade St., St. Paul 6, Minn. **Underwriter**—None.

Silex Co., Hartford, Conn.
July 24 filed 201,563 shares of common stock (par $1) to be offered for subscription by common stockholders of record Aug. 12 on a one-for-one basis; rights to expire Aug. 24 (rights to 67,187 shares had previously been waived). **Price**—To be supplied by amendment. **Proceeds**—To redeem 75% of outstanding 5½% convertible debentures. **Underwriter**—None.

Sky Ride Helicopter Corp., Washington, D. C.
July 22 (letter of notification) 10,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For office equipment and patents and taxes. **Office** — Suite No. 1, National Airport, Washington 1, D. C. **Underwriter** —None.

★ **Sonic Research Corp., Boston, Mass.**
Aug. 6 (letter of notification) $40,000 of 6% notes (convertible into no par common stock). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital to develop sonic and vibration equipment. **Office** —15 Chardon St., Boston, Mass. **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.

Southern California Edison Co. (8/25)
July 27 filed $30,000,000 of first and refunding mortgage bonds, series E, due 1978. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received about Aug. 25.

Southern California Water Co. (8/19)
July 29 filed 60,000 shares of cumulative convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans and for new construction. **Underwriters** — Harris, Hall & Co. Inc., Chicago, Ill., and Smith, Polian & Co., Omaha, Neb.

★ **Southern Union Gas Co. (8/31)**
Aug. 10 filed 108,350 shares of common stock (par $1) to be offered for subscription by common stockholders of record Aug. 31 on the basis of one new share for each 18 shares held. **Price**—To be supplied by amendment. **Proceeds** — For additions to properties. **Underwriter** — None.

Spencer Kellogg & Sons, Inc.
July 30 (letter of notification) 6,500 shares of common stock (par $1). **Price**—At market (not to exceed an aggregate of $100,000). **Proceeds**—To Howard Kellogg, Ruth Kellogg Terry and The Marine Trust Co. of Western New York, as trustees for Ruth Kellogg Terry. **Underwriter**—White, Weld & Co., New York.

★ **Stroock (S.) & Co., Inc., New York**
Aug. 5 (letter of notification) 56 shares of common stock (no par). **Price**—At market (about $18.50 per share). **Proceeds**—To holders of scrip certificates issued in connection with payment on July 26, 1951 of a 5% stock dividend. **Underwriter**—McDonnell & Co., New York.

★ **Supervised Shares, Inc., Des Moines, Iowa**
Aug. 10 filed 300,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Technograph Printed Electronics Inc.
June 26 (letter of notification) 99,906.2 shares of common stock (par 40 cents) being 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. (8/19)**
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.

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.

★ **Torrington Manufacturing Co., Torrington, Conn.**
Aug. 6 (letter of notification) 12,000 shares of common stock (par $6.25). **Price**—$20 per share. **Proceeds**—To erect and equip plant addition and for loan to Canadian subsidiary. **Office**—70 Franklin St., Torrington, Conn. **Underwriter**—None.

United Gas Corp., Shreveport, La.
June 26 filed 1,171,863 shares of common stock (par $10) being 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.

United States Radium Corp.
July 17 (letter of notification) 10,603 shares of common stock (par $2) being 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.

Universal Finance Corp., Los Angeles, Calif.
July 27 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For working capital. **Office**—3460 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

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.

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.

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.

★ **West Coast Telephone Co. (8/25)**
Aug. 6 filed 60,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To finance construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ **Wilcox Basin Oil Inc., Chandler, Ariz.**
Aug. 6 (letter of notification) 200,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Underwriter**—None. George D. Elliott will act as salesman.

★ **Wisconsin Power & Light Co. (8/31-9/1)**
Aug. 5 filed $8,000,000 first mortgage bonds, series G, due Sept. 1, 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); Equitable Securities Corp.; The First Boston Corp. **Bids**—Tentatively expected to be received on Aug. 31 or Sept. 1.

★ **Wisconsin Power & Light Co. (8/21)**
Aug. 5 filed 20,000 shares of cumulative preferred stock (par $100) to be offered for subscription by preferred stockholders of record Aug. 14, subject to allotment, and 329,194 shares of common stock to be offered for subscription by common stockholders of record Aug. 14 on a 1-for-7 basis; rights to expire Sept. 8. **Price**—To be supplied by amendment. **Proceeds**—To acquire stock of Interstate Power Co. and for new construction. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co.

Prospective Offerings

● **American Fidelity & Casualty Co. (9/25)**
Aug. 5 it was stated registration is planned late this month or early in September of about 100,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders about Sept. 25 on a share-for-share basis; rights to expire Oct. 10. **Price**—To be named later. **Proceeds** — For working capital. **Underwriter**—Geyer & Co., New York.

American Water Works Co., Inc.
July 29 it was reported company may do some preferred stock financing following private placement of an issue of bonds. **Underwriter** — Probably The First Boston Corp., and W. C. Langley & Co., both of New York. **Offering**—Not imminent.

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.

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.

● **Central of Georgia Ry. (8/18)**
Bids will be received by the company at the office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York, up to noon (EDT) on Aug. 18 for the purchase from it of $5,460,000 equipment trust certificates, series Y, to be dated Sept. 1, 1953 and to mature annually from Sept. 1, 1954-1968, inclusive. Probable bidder: Halsey, Stuart & Co. Inc.; Salamon Bros. & Hutzler.

★ **Central Illinois Public Service Co.**
Aug. 5 it was reported company plans issuance and sale of 350,000 additional shares of common stock to the public. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers; Glore, Forgan & Co.

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-Penn National Bank of Philadelphia
July 24 it was reported Bank plans to issue and sell to its stockholders of record Sept. 22 an additional 124,125

shares of capital stock (par $10) to be offered on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

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.

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.

Duquesne Light Co. (9/15-17-22)
July 17 it was reported company is planning issuance and sale of $12,000,000 of first mortgage bonds, about 100,000 shares of preferred stock (par $50) and about 150,000 shares of common stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds only: Halsey, Stuart & Co. Inc.; Drexel & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; White, Weld & Co.; Harriman Ripley & Co. Inc. (2) For preferred stock: The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc. (3) For common stock: The First Boston Corp. and Lehman Brothers (jointly); Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly), Union Securities Corp. **Bids** — For common stock, expected about Sept. 15; for preferred stock about Sept. 17; and for bonds about Sept. 22.

★ Excelsior Insurance Co. of New York (Syracuse, N. Y.)
Aug. 11 stockholders approved a proposal to issue and sell 30,000 additional shares of capital stock (par $6). **Price**—$10 per share. **Proceeds**—To increase capital and surplus.

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 Controls Co.
July 27 it was reported company may do some financing this Fall. **Underwriter** — Probably Dean Witter & Co.

★ General Electric Co.
July 31 company applied to the SEC for an order approving the acquisition of its distributive portion of portfolio stocks being distributed by New England Public Service Co. pursuant to that company's plan of liquidation and dissolution. By reason of its ownership of NEPSCO stocks, General Electric will be entitled to receive 97,030.95 shares (3.89%) of the common stock of Central Maine Power Co.; 45,690.45 shares (3.89%) of the common stock of Public Service Co. of New Hampshire; and 20,730.20 shares (2.72%) of the common stock of Central Vermont Public Service Corp. General Electric proposes to sell or otherwise dispose of the utility securities to be acquired within a period of one year from the date of such acquisition (subject to its right to apply for additional time to dispose of such securities).

• Household Finance Corp., Chicago, Ill. (9/15)
Aug. 5 it was reported company is considering the public sale of between $20,000,000 and $25,000,000 additional debentures. **Proceeds**—To finance increased receivables. **Underwriter**—Lee Higginson Corp., New York. **Registration**—Expected late in August.

★ Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

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.

Indiana & Michigan Electric Co.
July 23 it was reported company is planning issuance and sale of $15,000,000 first mortgage bonds due 1983 and probably also $5,000,000 of preferred stock, late in September or early in October. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc. (2) For preferred: The First Boston Corp.; Lehman Brothers; Union Securities Corp.

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.

• Middle States Telephone Co.
July 31 it was announced company plans to issue and sell 60,000 additional shares of common stock (par $10). About 98% of the outstanding common shares are owned by Central Telephone Co. **Underwriter**—Central RepublicCo. (Inc.), Chicago, Ill.

Mill Creek Chemical Co.
July 24 it was reported that company may do some financing in connection with its plan to build an anhydrous ammonia plant in the Salt Lake City area to cost about $9,000,000. **Underwriter** — Glore, Forgan & 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.

★ Minnesota Power & Light Co.
Aug. 3 it was announced stockholders will vote Oct. 1 on increasing the authorized common stock (no par) from 2,000,000 shares (858,047 shares outstanding) to 3,000,000 shares and on approving a 2-for-1 stock split. This will place the company in a position to proceed promptly with any new financing that may become necessary. Immediate offer not contemplated. **Underwriters**—May be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.

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. **Registration** Expected Sept. 4.

Mountain States Power Co.
July 24 it was reported company may issue and sell in the Fall an issue of first mortgage bonds. **Underwriters** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.

New England Gas & Electric Association (9/30-10/1)
July 24 company sought SEC permission to issue and sell 194,916 shares of common stock (par $8) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held (with a 16-day standby). **Price**—To be announced later. **Proceeds**—To retire bank loans. **Dealer-Manager**—The First Boston Corp. served in last common stock offering.

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 vote Aug. 24 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. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., handled recent common stock financing.

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.

★ Pennsylvania Water & Power Co.
Aug. 6, it was announced consideration is being given to supplementing temporary bank borrowings with additional permanent financing through the issuance of mortgage bonds in the near future. The company has borrowed $6,250,000 under its $12,000,000 bank credit arrangement, which extends to July 31, 1955. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.

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.

• Petroleum Service, Inc. (Texas)
Aug. 4 it was reported company is considering issue and sale of $300,000 of 6% debentures due 1963 (convertible into common stock). **Underwriters** — Probably Garrett & Co., Dallas, Texas. **Offering**—Expected this fall. Stockholders will vote Sept. 19 on approving financing.

• Raytheon Manufacturing Co.
July 27 it was reported company may offer to common stockholders about 435,388 additional shares of common stock (some time in the future) on a 1-for-5 basis. **Underwriters**—Hornblower & Weeks and Paine, Webber, Jackson & Curtis.

Rockland Light & Power Co.
Nov. 12, 1952 F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 preferred stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—To retire bank loans (which at July 15 totaled $6,867,000) and for expansion program. **Underwriters**—For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders. **Offering**—Expected during the Fall of 1953.

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.

★ Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

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. (jointyl); 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).

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★ Southwestern Public Service Co.
Aug. 6 it was announced company plans to issue and sell about $20,000,000 of securities (to consist of around $12,000,000 bonds; from $2,000,000 to $3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-13 basis). **Underwriter**—Dillon, Read & Co., New York. **Offering**—Expected in January or February 1954.

Stauffer Chemical Co., New York
July 29 it was reported company plans new financing in the near future. **Underwriter**—Morgan Stanley & Co., New York.

Tennessee Gas Transmission Co. (9/14)
July 20 it was reported company plans to issue and sell $20,000,000 of debentures due 1973. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 14. **Registration**—Tentatively scheduled for Aug. 14.

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 above mentioned 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.

West Coast Transmission Co.
April 1 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. (9/15)
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 ($35,000,000 25-year debentures) 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.

★ Westpan Hydrocarbon Co.
July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

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.

Our Reporter's Report

Operating on its customary sparse summer diet the new issue market was eager for the $15,000,000 of debentures put out this week by the Chesapeake & Potomac Telephone Co. of Baltimore City.

Competition was decidedly keen among banking groups in the bidding for the issue, with a total of six syndicates entering tenders, all specifying an interest rate of 3½%.

The winning group paid the company a price of 100.91999 for the 31-year debentures and made public offering yesterday at 101.52 for an indicated yield of 3.42%.

Pre-offering inquiry had indicated the debentures would move out quickly at those terms and this proved to be the case with the entire amount asked for soon after the opening of subscription books.

Rated triple A and backed by the credit of the parent company, American Telephone & Telegraph Co., the debentures naturally appealed to institutional type of investors, who haven't been overburdened with investment opportunities of late.

The next offering in sight, expected a week from today, involves $20,000,000 of 4% debentures of the Pacific Finance Co., which will be marketed through a negotiated deal and provide funds for repayment of bank loans.

Pining for the Mountains

For those who are accustomed to the current lethargy the situation is bad enough. But for one who, in a long experience in the underwriting business, has never been around the Street during August, these are really trying days.

An investment banker who normally takes his vacation at this time, returning after Labor Day, is literally shocked by the complete let-down which he has encountered in the 10 days since he returned to his desk.

Says he never encountered anything like it except during the period when we were awaiting intepretation of the Truth in Securities Act which served to tie things up for quite a spell. It's a safe bet that he goes back to his regular vacation schedule next year unless circumstances prevent it.

Fortnight Hence

Some pickup in new underwritings is in prospect over the turn of the month when several companies will be receiving bids for new securities.

Southern California Edison will take bids for $30,000,000 new 25-year first mortgage bonds on Aug. 25 to raise funds for construction.

The day before a banking group is slated to make a secondary offering of 145,000 shares of common stock of Minnesota Mining & Manufacturing Co.

And the following Monday, Aug. 31, Wisconsin Power & Light will sell $8,000,000 of first mortgage 30-year bonds to pay bank loans and finance new construction.

New Issue Registered

Another sizable issue which could reach the marketing stage before the end of the month was placed in registration with the Securities and Exchange Commission within the week.

Beneficial Loan Corp. filed to cover the projected sale of $20,000,000 of new debentures with the Securities and Exchange Commission, the proceeds to be added to working capital.

This issue, which is being handled directly with bankers by negotiation, is expected to come to market before the close of August.

First of Michigan Opens New Flint Plant

FLINT, Mich.—First of Michigan Corp., member of the Midwest and Detroit Stock Exchanges, has opened its ninth office in the Genesee Bank Building in Flint, according to Henry Earle, Sales Vice-President. William H. Morris, an economic analyst with Ford Motor Co. before joining First of Michigan, is manager of the Flint office. He has also been manager of the investment firm's Port Huron office.

Joins Tifft Brothers

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Normand P. B. Sharrow is now with Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges. He was formerly with du Pont, Homsey & Company.

Joins Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Dixon B. White has become affiliated with Hornblower & Weeks, 75 Federal Street.

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What Others Say About an "Inside View of United Nations"

realism" to insist that we are "feared, but not respected or trusted."

The fact is that there is throughout all the world a vast confidence in our motives and our integrity. This is an asset with which we start. It can be dissipated, like any other asset, and one of the best ways of doing so is to lose self-confidence and pride in our accomplishments and in our standing.

Let's grow up to our leadership and be realistic and hard-headed with a maturity befitting the leader of the free world.

A. A. RYDGREN
Chairman of the Board, Continental American Life Insurance Co., Wilmington, Delaware

While I believe that Mr. Robertson has made a substantially accurate analysis of the character of the various countries which have sat on the Security Council, I do not share his apparent feeling of discouragement. In fact, I believe that the Security Council, or the broader entity, the United Nations organization, has functioned as well as could reasonably be expected or as well as was intended at the time it was organized.

A. A. Rydgren

Specifically, judging by my recollection of its charter, which I must say that I have not read since it was first published, it is not the charter of either a "world parliament" or of "a great administrative body." In my judgment, it resembles the charter of a trade organization such as the Life Insurance Association of America, and like such a trade organization, we do expect some good to come out of it but don't expect it to regulate or govern the individual member units. So, the results achieved by the United Nations organization are within the area of achievement I considered likely.

I would assume that Mr. Robertson expected much more of the United Nations organization than I did. That the government of the United States was not willing to become a subsidiary member of a "world parliament" or of "a great administrative body" is evident by the fact that our government insisted on its veto power in the Security Council, thus demonstrating its lack of confidence in the decision of a majority of the Security Council. If, after the creation of the United Nations organization, the Security Council had been dominated by Communist countries, then I hope that the United States representative would have used its veto power just as freely as Russia has used it.

In short, I see no point in criticizing either the Security Council or the larger body, the United Nations organization, but I do think that any illusions we may have about it should be replaced by the realities of the kind of organization it is and of what may be expected of it.

ROGER W. BABSON
Wellesley Hills, Mass.

I wonder how much Mr. Robertson has read history. I ask this because only history teaches the tremendous importance of **patience.** The development of all great things requires patience; and the greater the task, the more patience required. Considering that the United Nations is the greatest task ever attempted, its success will require the greatest patience. This patience our friend Robertson and his supporters apparently lack.

Roger W. Babson

Our U. S. Constitution took from 1776 to 1781 before enough articles were adopted to start the organization; but it was not until 1798, or really 1804, until it became fully adopted—23 years. The critics are in too much of a hurry. They should remember that the United Nations is only eight years old. As in the case of our own Constitution, we should wait patiently for corrective amendments.

Mr. Robertson ridicules the Council because six of the eleven members are small nations. This principle is the basis of democracy. Nevada has the same number of Senators as New York or Texas. Any poor or uneducated man on any street, has the same vote as a Rockefeller or an Einstein. This may or may not be sound, but the United Nations uses the same identical principle which underlies all truly democratic organizations.

Mr. Robertson ends his article by quoting the Bible: "Do men gather grapes of thorns?". I have no Bible here, but I think that in the 20th Chapter of Matthew is a parable which ends: "The last shall be first and the first shall be last"! Perhaps the hope of the world may be in these small nations.

JOHN T. BROWN
President, J. I. Case Company, Racine, Wis.

Mr. Robertson's article is exceptionally pertinent and well done. It is a little different type of analysis of this problem than I have previously seen but I think one which every thinking person should be glad to have. I certainly hope it will have a wide readership and those directing and guiding our relationships with the United Nations will give careful thought and consideration to the problems which Mr. Robertson has so well outlined.

H. B. LEAR
Chairman of the Board, The University National Bank of Seattle, Wash.

Mr. Robertson has done our country a very great service. I thoroughly agree with the conclusions and believe I am qualified to do so. For the last seven years I have traveled extensively over most of the world trying to get at the facts for I could not trust our government. Our past foreign policy—if it was not formulated by enemies of our nation, then it came out of "Alice in Wonderland." You cannot buy frendship for money any more than you can buy love from a woman on the street. We have not made friends or trustworthy associates over the world. As Will Rogers said, "We have never lost a war or won a conference." The deal made by Messrs. Hiss and Roosevelt, at Yalta, is an example; also, have we won or lost Mr. Truman's adventure in Korea.

H. B. Lear

One thing we do know, two beggars on our doorstep, England and France, have dictated our foreign policy for many years and have interfered with our domestic policies as well.

There is only one policy worth consideration; it is, **be so strong that people will let you alone.** In cafe society, no one ever gets drunk enough to slap Jack Dempsey in the face. If you are outstandingly strong, all the little nations will try to attach themselves to you. You don't need to buy them. If we have a hard mountain to climb, is it worthwhile to drag several reluctant parties with us who blackmail us and sap our strength?

We have a serious situation to face. We have gutted and thrown away our natural resources in three foreign wars in the last few years. We have loaded ourselves with debt and taxes. We have to import 20 essential metals for our daily use. England, France and Belgium have territory in Africa almost double the size of the United States and richer in resources. They sit on enormous real wealth and ask us for more money.

I had an Englishman in South Africa tell me that we were to blame for England's troubles, because if we had not subsidized the Labor Socialist Government after the war they would have collapsed in six months and England would have today been on her feet.

I believe the United Nations has been a complete waste of time, effort and money, and largely a sounding board for Russia's opinions. David Lawrence recently in the "U. S. News and World Report" had an editorial saying the United Nations was practically finished. His mental caliber needs no compliments.

These are dangerous times and our present government, which is the best we have had in many years, may be able to bring the balloon to earth without anybody getting hurt. After all, they have taken over the largest business in the world which has been mismanaged for 20 years. I have faith in them and in the intelligence of the American people if they are told the truth. We have some great qualities in our country even if we have wasted our resources and opportunities. We have the know-how, the incentive and initiative and it is fashionable to work.

Considering the money that we have given and thrown away under various false fronts; such as, the Marshall Plan, United Nations, Lend Lease, etc., if 99% of it had never been collected from the taxpayers and only 1% spent on moral rearmament, the whole world would be much better off than it is today.

RODNEY WASHBURN
President, The Mechanics National Bank of Worcester, Mass.

While thoughtful observers have long since characterized the UN as a farce, though a tragic and dangerous one, few publications have had the courage to publish derogatory criticisms for fear of offending the many subscribers who, under the influence of one of the mightiest barrages of propaganda, have developed a favorable emotional regard for its character or potential value.

You are to be congratulated on the publication of this splendid criticism by Mr. Robertson.

RICHARD A. FROEHLINGER
President, The Arundel Corp., Baltimore, Md.

"An Inside View of the United Nations" by William A. Robertson is indeed a very factual, simple and informative expose of the very complicated United Nations. The reasoning certainly coincides with mine, as from the beginning I have never believed that a structure composed of so many loose and discordant parts could be coordinated to save mankind.

As set forth in Mr. Robertson's paper, each Nation of which it is composed has trouble enough keeping its own house in order, and is not doing any too well; consequently, the combination of dis-organization could hardly arrive at a reasonable conclusion.

While Senator Bricker's bill has not made too much progress to date, I am hopeful that the good sense of the Congress will come to the top, and that we will secure ourselves against any further inroads on our internal organization.

FRED L. PARRISH
Head, Department of History, Government, and Philosophy, Kansas State College, Manhattan, Kansas

As it is not practicable to answer Mr. Robertson's article point by point since that would be too long, perhaps it will be in place to comment on an item or two at the end and the beginning of the article.


Fred L. Parrish

Is it not a mistake to think of the Council as a World Parliament, and to assume that a wide variety of powers, outside our Western Anglo-American parliamentary tradition, must necessarily get no place, and accomplish nothing of value, and become washed up, because it does not pay greater respect to the canons of the western traditions?

Is it not a mistake to take the author's attitude and "omit from the discussion comment on the lower house, called the General Assembly"? Certain events, dating since the beginning of the Korean War, show that the General Assembly "takes over" and gets away with it, when the Security Council obstructs on certain important matters. It may be wishful thinking on our part, but if the UN "houses" follow the experience of the British Parliament, the time may come when, if the UN survives, the Lower House will take over most of the power of the Upper.

The U. S. A. has its commitments to the UN, and can scarcely afford to try and stand alone. Is it not the part of wisdom to do all possible to operate in the pattern of a world order even though that order at present seems to be disorder? I am not one of those who are looking for a Federation just around the corner. But, as an American citizen, I am hopeful that if we continue to be patient with the "lawless" nations, we may make the UN work yet, into at least a Confederation of a sort which will accomplish much more than could be won without it, for the peace and harmony among nations.

With Pohl & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Charles W. Conners is now affiliated with Pohl & Company, Inc., Dixie Terminal Building.

DIVIDEND NOTICE

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock, payable September 8, 1953, to stockholders of record at the close of business August 14, 1953.

ERLE G. CHRISTIAN, *Secretary*

DIVIDEND NOTICES

NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a quarterly dividend of forty-two and one-half cents (42½¢) per share on the common stock of said Company, payable on September 15, 1953, to stockholders of record at the close of business September 1, 1953.

CECIL M. SELF, *President*

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 117

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, $20.00 par value, of this Company has been declared, payable September 30, 1953, to stockholders of record at the close of business September 4, 1953

PREFERRED DIVIDEND NO. 28

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable September 5, 1953, to stockholders of record at the close of business August 21, 1953.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Vice President and Secretary.

August 5, 1953

American INVESTMENT COMPANY OF ILLINOIS

91ST CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable September 1, 1953, to stockholders of record August 18, 1953.

The Directors also declared the regular quarterly dividends on the 5¼ per cent Cumulative Prior Preferred Stock, the Series A $1.25 Convertible Preference Stock, and the 4½ per cent Preference Stock, all payable October 1, 1953 to stockholders of record September 15, 1953.

D. L. BARNES, JR.
Treasurer

August 3, 1953

Financing the Consumer through nation-wide subsidiaries — principally:

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

O'okiep Copper Company Limited

Dividend No. 27

The Board of Directors today declared a dividend of twelve shillings per share on the Ordinary Shares of the Company payable September 1, 1953.

The Directors authorized the distribution of the said dividend on September 11, 1953 to the holders of record at the close of business on September 4, 1953 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.66 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to September 1, 1953. Union of South Africa non-resident shareholders tax at the rate of 7.2% will be deducted.

By Order of the Board of Directors,
H. E. DODGE, *Secretary.*

New York, N. Y., August 12, 1953.

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the third quarter of 1953 upon the $5 Preferred Stock, payable September 15, 1953, to stockholders of record at the close of business August 20, 1953.

75 cents per share upon the Common Stock, payable September 15, 1953, to stockholders of record at the close of business August 20, 1953.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, Secretary
Akron, Ohio, August 10, 1953

The Greatest Name in Rubber

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

124th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on September 1, 1953 to stockholders of record at the close of business on August 17, 1953.

GEORGE SELLERS, Secretary

August 7, 1953

DIAMOND ALKALI CHEMICALS

Dividend Number 7 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on August 10, 1953, declared a dividend of $1.10 per share for the quarter ending September 15, 1953, payable September 15, 1953, to holders of 4.40% Cumulative Preferred Stock of record August 20, 1953, and a regular quarterly dividend of 37½ cents per share, payable September 5, 1953, to holders of Common Capital Stock of record, August 20, 1953.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, August 11, 1953

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of sixty cents per share payable on September 15, 1953 to stockholders of record at the close of business on August 18, 1953.

D. H. ALEXANDER, Secretary

August 5, 1953.

SENECA FALLS MACHINE COMPANY

Common Stock Dividend

On July 28, 1953 the Directors of Seneca Falls Machine Company declared a dividend of $.05 per share on the common stock payable September 15, 1953 to stockholders of record September 1, 1953.

EDWIN R. SMITH
President & Treasurer

MANUFACTURERS OF LO-SWING LATHES AND LABOR SAVING SPECIAL MACHINE TOOLS

TELEVISION-ELECTRONICS FUND, INC.

19TH CONSECUTIVE DIVIDEND

The Directors of Television-Electronics Fund, Inc. have declared a dividend of 14c per share from investment income, payable August 31, 1953 to shareholders of record August 14, 1953.

Chester D. Tripp
President

August 6, 1953

135 S. LaSalle Street, Chicago 3, Illinois

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

74th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable Oct. 10, 1953 to stockholders of record Sept. 17, 1953.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 43 cents a share on $1.72 Convertible Preferred Stock, 53 cents a share on $2.12 Convertible Preferred Stock, and $1.43¾ on the $5.75 Sinking Fund Preferred Stock. All preferred dividends are payable Oct. 10, 1953 to stockholders of record Sept. 17, 1953.

A. E. WEIDMAN
Treasurer

July 23, 1953

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

An initial dividend of $.3208333 per share has been declared on the $25.00 par value 5¼ per cent Cumulative Convertible Preferred Stock, payable September 20, 1953 to stockholders of record at the close of business September 10, 1953. It covers the period from June 25, 1953, the date the new preferred was issued.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable September 20, 1953 to stockholders of record at the close of business September 10, 1953.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

August 7, 1953.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — That the left-wing attack upon the Federal Reserve-Administration sound money program is susceptible of being met with an effective counter-attack upon a broad front, is something which Treasury Secretary Humphrey has disclosed.

The disclosure came actually in a public address which the Secretary made last week to the Governors' conference at Seattle. This address, unfortunately, was given little play in the spate of news following the death of Senator Taft and the adjournment of Congress. [The "Chronicle" printed in full the text of the Secretary's speech on page 1 of its issue of Aug. 6.]

Left-wingers have been glibly and gleefully attacking the policy of refusing to make credit money available at will, on the premise that their battle cry of "hard money" will go across to union labor and the farmers. Their basic political hypothesis is that inflation appeals to more groups than are hurt by progressive deterioration in the value of the money.

And it had appeared, until Mr. Humphrey's address to the Governors, that the Eisenhower Administration was on the defensive on this question.

The Secretary, however, took the offensive. He pointed out that the savings of millions benefit by an arresting of the depreciation of money, and also by a rise in interest rates. Every holder of an insurance policy, and the prospective millions of recipients of pensions, also benefit.

Holdovers Kill Renegotiation

It is reported that holdover staff employees from the Truman Administration were responsible for stopping some important reforms in the Renegotiation Act, and temporarily killing the Act.

This is the act which gives the Renegotiation Board the broadcast kind of discretion in renegotiating any government contract or any contractor's sale price. The Board may look into a contractor's profit regardless of the fact that he was making good on the lowest bid offered in a competitive bid on an article sought by the government. Furthermore, if a large contractor has a number of contracts, and is losing money on some but making a substantial profit on others, the Board can renegotiate the contractor's total profits, recapturing an excess which the Board deems unreasonable on the total line of business.

While the House Committee reported out virtually a straight 1-year extension of the Renegotiation Act of 1951 to June 30, 1954, the Senate Committee made two changes, both widely advocated by business.

One of these would raise to $500,000 from $250,000, the minimum amount subject to renegotiation with respect to years ending on or after June 30, 1953.

The more important amendment was one which specified in strict statutory language, the term "standard commercial articles." The original act specified that "standard commercial articles" were to be exempt from renegotiation. However, the Board by bureaucratic interpretation is said to have narrowed the application of this rule to an insignificant handful of articles. The statutory definition would compel the Board to follow the intent of Congress on this exemption.

Although the bill died with the session of Congress, the Administration may seek to have it restored retroactively next year, with reforms along these lines included.

ICC Shakes a Leg

There is a little story in the background of the action taken by the Interstate Commerce Commission approving an extension for 22 months, or until Dec. 31, 1955, of the temporary freight rate increase of 15% permitted in 1952.

Knowing that it usually takes the ICC several months to approve a major freight rate case, the carriers completed July 10 the presentation of their case asking for the extension of the 15% higher rates. The carriers thought they would be lucky, considering the lumbering, plodding movements of the regulatory agency, if the Commission acted before February, 1954, when the temporary rate boost was due to expire.

Instead the Commission completed its decision by July 29, even if it did not give it to the newspapers until July 30. The ICC thus took less than three weeks to make up its mind. This is rated by railroaders as the speediest action ever taken by the Commission in remembered history.

However, what was forgotten was that there was a little bill reported out by the Senate Interstate Commerce Committee, requiring the ICC to reach such decisions in 30 days. The ICC bitterly opposed this bill, saying such legislation wasn't needed, that the Commission could act fast without being required to by Congress. Nevertheless, the Committee reported out the bill, and railroaders will bless the memory of the late Senator Charles W. Tobey (R. N. H.) for this favorable report.

Apparently in the instant rate case the ICC sought to give a first class demonstration that it could act quickly without being given a needle in the posterior from Congress.

Maybe this Committee treatment might work for some of the other regulatory agencies which delay cases and make work for themselves.

Why Ike Won On Reciprocal Trade

House "high tariff" conferees on the reciprocal trade extension bill finally gave in to the idea of a bi-partisan or "unpacked" Tariff Commission for a very cogent reason they were not anxious to reveal at the time that they and the Senate conferees were waiting and glaring at each other over the question of which side would give in.

This is the bill which continued for one year the life of the Reciprocal Trade Agreements Act. The House extended the Act with a gadget which would increase the Republican membership of the Tariff Commission so that in cases involving the escape clause under the Act, the bias of the Commission would be pro-high tariff. The Senate, with its united Democratic following sticking behind Administration Republicans, eliminated this feature.

In the end the House side gave in, and the White House got its objective of an Act extended virtually without change for one year.

Since the State Department will be unable to negotiate any new trade agreements under the extended Act—there is no more statutory room for lowering duties under new agreements—the Administration merely wanted the Act extended as a symbol or notice to the rest of the high tariff, trade quota, and currency-restricting world that the United States had not gone "high tariff."

On the other hand, the entire escape clause machinery of the Reciprocal Trade Agreements Act ceased to exist June 12 when the Act expired, and would continue dead until Congress extended the law. So the "high tariff" boys were the ones in the end who couldn't get along without a new Act or extension. They gave in.

High Tariff Side Loses

Incidentally, the high tariff boys lost out completely in the first session of the Republican Congress under Eisenhower. The "packed" Commission was the deal the White House allegedly made with Reps. Dick Simpson of Pennsylvania and Dan Reed (chairman) of New York, of the House Ways and Means Committee, to get an extension of the Reciprocal Trade Agreements Act out of Committee.

With folded hands and no great concern, the White House watched the deal get kicked over by Senate Republicans who understood the true virtues of Mr. Eisenhower's viewpoint, combining with the Democrats. Furthermore, Mr. Simpson's proposed oil and other tariff and quota bill was soundly trounced with the vigorous efforts of the GOP leadership.

In the end several of the "benighted, isolationist, horse-and-buggy" constituencies may take it out on the GOP and the Republican incumbents, which may help to assure Mr. Eisenhower of a Democratic House in 1955, a House comprehending better the virtues of world leadership.

Wasted Effort

One of the most deeply rooted customs of Capitol Hill is that whenever a member of Congress is seen with constituents, any passing colleague will flatter the member with all the blarney he can put on.

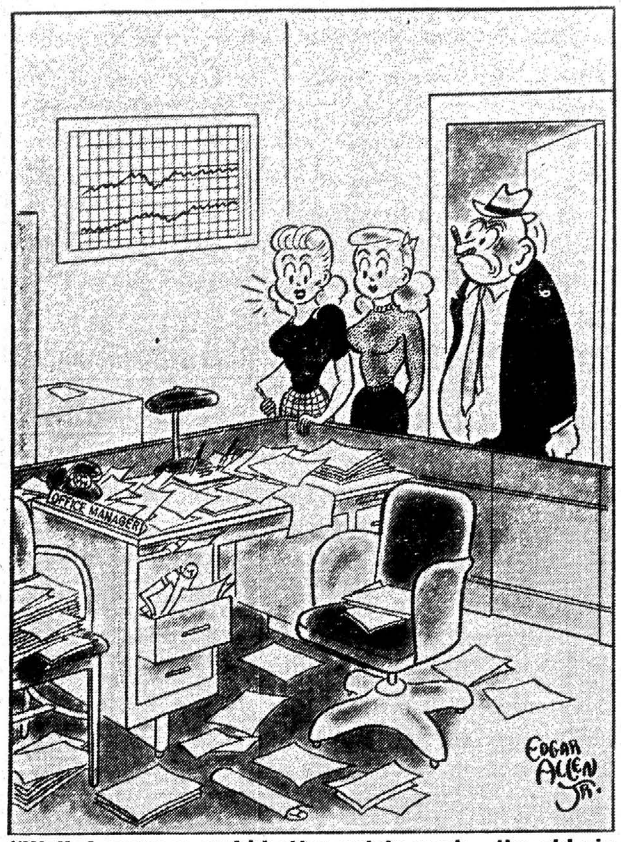
Rep. John Bell Williams (D., Miss.) recently was obviously pointing out the sights of the Capitol to two constituents. Along came his friend, Rep. Robert E. Jones (D., Ala.).

"Why, John Bell," gushed Mr. Jones, "that was a wonderful speech you made in the House yesterday, and I think it changed the tide of the vote."

Rep. Williams later explained to his colleague that the two constituents possessed neither the powers of speech nor of hearing.

(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



"Well, I suppose we'd better get to work—the old pig will be coming into his pen any minute!"

Savings Banks Record Deposits Increase of $1 Billion in Half Year

According to Richard A. Booth, President of the National Association of Mutual Savings Banks and President, Springfield Institution for Savings, Springfield, Mass., on June 30, total deposits of the 528 mutual savings banks of the nation reached the record high figure of $23,614,000,000. During the first 6 months of 1953, deposits increased $1,003,000,000. which was 15% more than the gain of $872,000,000 during the corresponding period of 1952.

Richard A. Booth

During the month of June alone, total deposits gained $228,000,000, or over 10% more than the $200,000,000 rise shown in June, 1952. Except for May, the increase each month this year in regular deposits has been greater than in the corresponding month in each year since 1947.

Mortgage lending continued to provide the chief outlet for savings bank investment during June. The gain of $132,000,000 in the banks' mortgage portfolios brought holdings to $11,962,000,000, or 45.3% of assets. Cash showed a seasonal gain of $81,000,000 and corporate and municipal securities $67,000,000, while holdings of U. S. governments fell $59,000,000.

Over the first half of 1953, savings banks placed $731 million in mortgages, $327 million in corporate and municipal securities and $35 million in U. S. governments, while reducing cash by $51 million. During the same period of 1952, they added $658 million of mortgages, $384 million of corporate and municipal securities and $73 million of cash, while reducing U. S. governments by $201 million.