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EDITORIAL

As We See It

Having selected and appointed all members to the foreign Economic Policy Commission, the President late last week sent a letter to each member in which he made the following observations:

"The mission of this group is one of the most vital before our country, because our foreign economic policy has great meaning, not only for our own people, but for our friends abroad as well.

"The building throughout the free world of a strong and self-supporting economic system that can provide both for defense and for improved standards of living requires the sound enlargement of commerce between nations.

"Free nations must find ways to earn their own living in the world, and we must play our part in aiding that effort. We must search diligently for ways to widen and deepen the channels of economic intercourse among the free nations."

The President is, of course, entirely right in believing that this body has before it some of the most vital problems not only of this country but of the whole world. He might have added with as much warrant that it likewise had before it some of the most difficult problems of modern times—or of any other times, for that matter. "The building throughout the free world of a strong and self-supporting economic system that can provide both for defense and for improved standards of living" does indeed require "the sound enlargement of commerce between nations."

We prefer to think that the President does not mean to imply that the building of such an

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"If the Cold War Stops!"

By HOBART C. RAMSEY*
President, The Worthington Corporation

Head of prominent machinery concern maintains, If Cold War Stops, the breach created by reduction of government purchases may be far smaller than is feared. Does not look for early liquidation of our defense industry, and holds substantial defense expenditures may be expected in foreseeable future. Contends no severe correction of production trend is imminent, since other forces besides government purchases will come into play promptly. Points to need for large scale public works.

I will start off by saying that, taking all things into account, I believe that "If the Cold War Stops," the breach created nationally by a reduction of government orders may be far smaller than is sometimes supposed.

Hobart C. Ramsey

As a matter of fact, it seems to us that world conditions and the heavy responsibility which the United States has to assume in a world where it is the strongest nation, have created a need for a long-term defense industry in this country which is certain to be a substantial industry. I think in a very real sense we have a new industry in America.

How big will that industry be?

I don't know. In 1951-52 the nation spent about $20 billion for defense. In 1952-53 it was $39 billion. In 1953-54 it will be $43 billion. It is now anticipated that $34 billion will be spent in 1954-55. What change in those figures should we expect from a prompt end to the Cold War? Many of the experts I have talked to think a 50% decline would be large.

The whole inquiry has, of course, some of the elements of that old question: "If I had a little sister, would she like green apples?" There are many unknowns and imponderables. The permutations and combinations are many. We haven't any well-defined premises. Exactly

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*From an address by Mr. Ramsey before the Alumni Convention of the Columbia University School of Engineering, Litchfield, Conn., Aug. 22, 1953.

A Cheerful View of The Stock Market

By ANTHONY GAUBIS
Investment Counselor

Mr. Gaubis, pointing out possibility that investing public is again embracing fallacy that stock prices follow business activity, offers reasons supporting the present as affording attractive buying areas for a majority of stocks: (1) their fall to 1946 levels despite intervening decline in dollar's purchasing power and tremendous increase in corporate assets; (2) substantial declines from recent peaks, and (3) low level of prices related to demonstrated earning power. Stresses relatively favorable position of currently unpopular building material and retail groups.

A headline in a recent issue of "Business Week" sums up the current business picture with the statement: "Everybody Expects A Recession." Since this is quite true, it means that we are either already in, or are about to see, the most widely predicted recession in the history of our country.

Anthony Gaubis

Although virtual unanimity of opinion as regards the business outlook is rare, it is not unprecedented. We have to go back only to the Spring of 1946 to find a time when there were hardly any dissenting votes as to the prospect for record-breaking peacetime activity for at least the following one or two years. Many people made the mistake, in early 1946, of concluding that the majority of stocks were a purchase at that time merely because the outlook for business was good. We cannot help but wonder if this same group is not repeating what may be basically the identical error in the opposite direction by assuming that stock prices will decline during the period immediately

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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.)

This Week's Forum Participants and Their Selections

New York Central & Hudson River RR. Michigan Central Collateral Mortgage 3½s of 1998—Arthur Marx, President, Wilson and Marx, Inc., New York City. (Page 2)

Texas Gas Transmission Co. and Other Natural Gas Transmission Stocks — Patrick J. Rafferty, Manager, Research Department, F. L. Putnam & Co., Inc., Boston Mass. (Page 2)

ARTHUR MARX

President, Wilson and Marx, Inc., New York City

New York Central & Hudson River RR. Mich. Cent. Coll. Mtge. 3½% 1933

At this time I would again direct attention to the New York Central & Hudson River RR. Michigan Central collateral mortgage 3½% bonds of 1998.


Arthur Marx

These bonds are secured by approximately nine shares of Michigan Central RR. stock per $1,000 outstanding. In addition they are equally secured with the consolidated mortgage 4% bonds. There are $19,336,000 of the collateral mortgage bonds outstanding.

Here is a condensed balance sheet of Michigan Central RR. Co. as of Dec. 31, 1952:

ASSETS

Road, equipment and miscellaneous property less depreciation and amortization of defense projects	$102,720,557
U. S. A. Treasury notes series "A" 1½%	1,025,000
U. S. A. Certificates series "C" 1⅞% 8/15/53	5,000,000
Other current assets	5,429,428
Deferred assets	1,502
Investments in affiliated companies	30,659,912
Total	$144,836,399

LIABILITIES

Capital stock	$18,736,400
Premium and assessments on capital stock	876,656
	$19,613,056
Long-term debt	20,223,895
Current liabilities	477,494
Deferred liabilities	5,185
Accrued depreciation leased properties	5,314,865
Surplus	99,201,904
Total	$144,836,399

The book value is over $600 a share according to this statement. These figures are based on a railroad of about 1,500 miles built around 1850. What do you think if would cost today? Let's take a look at the figures: debt a little over $20 million and 187,364 shares of stock. On the asset side over $30 million investment in high grade affiliated companies; $6 million in U. S. Government securities and $5½ million in current assets, all this in addition to the 1,500 miles of railroad.

I think Michigan Central could earn over $100 a share operating on its own. However, it is leased to the New York Central, which owns 99.70% of the stock and agreed to pay $50 a share annually in 1930 when they leased the M. C.

All the above facts lead me to repeat what I said in December, 1952, that I think this is the best bond in the New York Central system, which is having a banner year in 1953.

PATRICK J. RAFFERTY

Manager, Research Department, F. L. Putnam & Co., Inc., Boston, Mass.

Texas Gas Transmission and Other Natural Gas Transmission Stocks

The stock market reveals graphically the general investment philosophy of the day. Excluding the usual number of sharpshooters who aim at "special situations" — investors, on the whole, have developed a healthy respect for reliable and attractive sources of income. The steady demand for "bluechip" industrials and utility equities bears out this general market preference for income. In cases where growth is offered in addition to income, we find compensating premiums placed on market values and, accordingly, current yields are not so generous. It follows that if an investor can find an attractive current return that is likely to continue without paying a premium for potential growth, then a purchase under such conditions falls into the category of "good timing." This timing factor is an essential ingredient for successful investing.


Patrick J. Rafferty

We contend that certain natural gas pipeline stocks are offered presently at attractive yields and, although these companies have ambitious expansion programs, current prices (for reasons set forth below) do not begin to discount this growth factor.

What About Growth?

The claim that the natural gas industry is the fastest growing industry is a true one—and pipelines to carry this fuel set the pace. One of the most spectacular postwar developments has been the tremendous growth in the use of natural gas as a home heating medium. This trend continues unabated. Since 1946, the total service of natural gas to the residential consumer has increased approximately 125% and over $2 billion has been invested in the industry to accomplish this. Recently, the American Gas Association estimated that the gas industry would spend $5.6 billion for expansion in 1952-56 period, of which pipelines would account for $3 billion. This means that wholesale carriers have to add much more mileage to their present systems.

What About Dividend Income?

As regulated companies under the jurisdiction of the Federal Power Commission, it has been established by very early Supreme Court decisions that the rate of return should be sufficient to assure confidence in the financial integrity of enterprises such as natural gas pipeline companies. For common stocks of established companies, this can mean only that the ability to pay dividends is assured by rate regulation.

In 1953, prices for the "pipes" had dropped about 16% from 1952 highs. It is no secret that the Federal Power Commission's policies on allowable rate of return for the pipeline companies had become restrictive. In the cases of the Northern Natural Gas Company (June 10, 1952) and the Colorado Interstate Gas Company (July 31, 1952), the FPC introduced a "cost-of-money" theory which resulted in establishing 5½% as a fair rate of return for Northern and 5¾% as adequate for Colorado. Whereas the Commission assumed that the "cost-of-money" theory would assure financial confidence in the soundness of a utility, it actually produced the opposite. The net result of letting the "cost-of-money" theory influence rate decisions was the removal of the growth and leverage factors from market values of pipeline common stocks. Equity financing of future projects was in danger of being shelved. For the past 12 months, pipeline equities have settled back to prices reflecting a straight income basis. In some instances, where FPC rate decisions were long overdue, prices gave evidence of doubt as to the continuity of the common dividend.

The turnabout in the industry's prospects occurred several weeks ago by a new decision of the present Federal Power Commission. With two Eisenhower appointees absent, the Commission—by a two-to-one vote—approved for United Fuel Gas, a subsidiary of Columbia Gas System, a rate increase that is calculated to result in a 6¼% return. This marks the abandonment of the "cost-of-money" theory under the previous Administration to keep this return between 5½ and 6%.

Texas Gas Transmission

Since the United Fuel Gas decision, confidence has been restored in the future of the pipeline industry. This is reflected by a lively market demand for equities in the group. Currently offered to yield an attractive 5.6%, we think that Texas Gas Transmission common is the more timely and conservative purchase for the following reasons:

(1) Compared with earnings of $1.14 per share for 1952, we are estimating a 58% improvement for 1953—in the vicinity of $1.80 per share. Net income for the first half of 1953 was $0.88, compared with $0.70 for the first six months of 1952. These earnings reflect the recent granting of an $8.5 million rate increase by the FPC (Texas Gas had asked for $8.75 million). The current rate of earnings indicates that Texas Gas Transmission common is selling out of line on a price-earnings basis with other pipeline equities. Furthermore, looking at other pipeline companies, the dividend payout of Texas Gas appears most eligible for an increase.

(2) This company has been operating for five years and, in that period, it has tripled the capacity of its pipeline delivery system which reaches into three major gas supply areas and provides a direct double trunk line to markets in Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Illinois, Indiana and western Ohio Delivery capacity is one of the largest and yet the hauling distance from well to consumer is one of the shortest, indicating that the line will be able to supply a cheaper and more competitive fuel to Texas' 41 public utility customers than most of the other lines to theirs. Industrial expansion in the market areas served spells further growth. The chemical industry, in particular, has developed several plants along the

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Looking Ahead at The Business Pattern

By H. E. LUEDICKE*

Editor "The Journal of Commerce," New York City

Dr. Luedicke reviews forces behind current boom, and sees record plant expansion and high industrial activity leading to overproduction. Says continued price pressure on commodities is likely and there are other "cracks in the boom." Calls attention to "consumer spree on credit" and other signposts of trouble. Urges business executives "keep ear to the ground and be alert," but holds voluntary actions are not enough and it is obvious that it will be necessary for government to either cushion a decline or reverse it.

There are times when psychological elements and political developments, as far as business is concerned, are no less important than the underlying economic factors, at least for the short term or intermediate outlook.

H. E. Luedicke

We are in one of those times right now.

The basic fact of our political and economic life for the last three years has been the war in Korea.

However the termination of that war is not the only political and economic fact today.

Instead two additional new elements have been injected into the business picture recently: in both countries that today represent the two great antagonistic forces in the world there have been changes in political leadership: the orderly transfer of political leadership in this country from the Democratic to the Republican party and the tumultuous fight for political succession in Russia that started with Stalin's death and still is far from settled.

When I had the honor of addressing the Graduate School for Bank Officers at the University of Wisconsin here two years ago, my job was to assess the impact of the defense program on the domestic economy.

At that time I said that the analysis of the business outlook in a defense economy required new techniques and new yardsticks.

Looking backward, it now is obvious that the job of predicting the business pattern for the past two years actually was quite simple.

Two years ago everything revolved around the defense-build-up.

Today we must concern ourselves with the interplay of economic, political and psychological forces.

Moreover, two years ago the defense program could proceed in only one direction: that was up. The truce in Korea, on the other hand, does not mean that from now on the defense program can only go in the opposite direction—which is down.

The men in the Kremlin still have it in their power to force us into another speed-up in the defense effort.

Kremlin Still Scheming

To be sure, they do no longer hold all the aces in the international game, as they did two years ago. But they can still make trouble—and we may be assured that they will do whatever suits their purposes best at any particular time.

Whatever else we may believe or do, let us not forget that Russia's over-riding aim remains to keep us off balance.

The chief purpose of Korea—from the Russian point of view—was to foster inflation in the free world, particularly in this country.

The chief aim of the Korean truce and the Russian peace offensive is to pull the rug out from under us and to throw our economy into a deflationary spiral.

Once the Russian leaders realize that this time they can't stampede us into helter-skelter demobilization, chances are that they'll do something that would have the effect of re-kindling inflation here—because, from their point of view continued inflation is almost as bad as a downward spiral for us—because both will ultimately weaken the economy from within.

We have not yet felt the full public and political pressure for a sharper reduction in defense expenditures. That will come when the Eisenhower Administration finds that it can deliver only moderately on its tax relief promises.

When that moment comes—and come it will—let us be on guard against those among us who will argue in effect that: "If we can't fool the Russians, let's at least fool ourselves."

I

Forces Behind the Boom

Before attempting to determine where the economy is likely to go from here, it is necessary to see where we are now and how we got there.

Since the Truman Administration—back in 1951—set sail for an \$85 billion annual budget and a \$65 billion annual defense load, the defense program has undergone a number of changes—all of them in the nature of program stretchouts designed to distribute the defense load over a longer

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*An address by Dr. Luedicke before the Graduate School for Bank Officers at the School of Banking, University of Wisconsin, Madison, Wis., Aug. 26, 1953.

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*Column not available this week.

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Value in Valves

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A swift sketch of a company whose products are in universal use and whose sustained growth has been a very real and substantial pipe dream — The Crane Co.

For those whose summer reading has retrogressed from Mickey Spillane, and, mayhap, the Kinsey Report, to a perusal of this corporate column with some regularity, let me suggest that the last six weeks' entries have included a quite elegant cross-section of eminent equities — Johnson & Johnson, the Kendall Company, Pittsburgh Consolidation Coal, Minnesota Mining, American and Continental Cans, the major rubber companies, Idaho Power Co. and Aluminium Ltd. This is quite a list and, frankly, a portfolio diversified among these issues alone, would compare quite favorably with a lot of investors' lists, and even some of the trusts'. This is only mentioned to illumine the fact that investment quality has been rather stressed here as an etesian motif. It continues so today.

Ira U. Cobleigh

This week's felicitous financial phrases, if any, will be directed toward a company boasting a business history spanning 98 years, and a manufacturing and sales level making it now the largest producer of valves and fittings in the entire world.

The immensity and importance of this business may have escaped you, since you don't see many plumbing items at the 5 and 10 cent store, or buy them in the drug store or super market. But the water you drink is valved a dozen times from reservoir to you; and you don't turn on the electricity or gas in your home, or fill the tank of your oil burner or motor car, without paying important and fitting tribute to valve vendors.

The Crane Company

The **Crane Co.** is importantly associated with heavy industry—oil refineries and pipelines, railways, steel companies, chemical plants, electric and gas utilities, and most recently the production of atomic power. Because of this heavy reliance on the demands of big industry. **Crane Company** has usually been classified as a "cyclical" company; and since there are some among us who feel we are now at or past the top of a business cycle, the shares of Crane Company have not been aggressively purchased in recent months.

The imputed cyclical nature of this company's business is further demonstrated by its important place in the building industry. For years the Crane line of heating appliances, plumbing and fittings for bathroom and kitchen, has been widely sold and renowned for quality. In 1952, however, extensive price cutting, and, among some competitors, a tendency to reduce quality to meet the price requirements for lower cost houses, adversely affected **Crane Co.** results from this division. With the introduction, however, of the Crane Sketchbook, portraying distinctive designs and plans for complete bathrooms, kitchens and utility rooms, a new impetus has been given to Crane plumbing sales; and much better results are expected this year due to stressing complete room ideas, rather than single unit sales.

Important Subsidiaries

Some logic can now be introduced to suggest that **Crane Co.** is moving away from so heavy dependence on cyclical factors, by research and product diversification. For example, Crane has now moved in a big way into the room air-conditioner field. A subsidiary, Hydro-Aire, Inc., is an important producer of aircraft components, and the company has researched new pump and valve improvements of significance in the engineering of aircraft gas and air turbines. This same subsidiary is also entering electronics, with the production of transistors. The fields of endeavor, just noted, are over characterized by great current expansion, and indicate improved and more diverse earning power for Crane Co.

Finally, let's talk about titanium. It's a magic metal and a magic word. (If you don't think so, just watch the gyrations of a titanium-prone stock called Canadian Javelin on the Canadian Stock Exchange.) This metal is apparently just the dish for the jet age. It's light, non-corrosive, and heat resistant; but it costs about $20 a pound. Well, the top brass (no gag intended) at Crane latched on to this non-corrosive quality; they thought that would come in handy for valves later on, assuming the price of the metal could be brought down to earth. So they have now signed up a contract (Aug. 3, 1953) through a wholly-owned subsidiary, **Cramet, Inc.**, with Defense Materials Procurement Agency to construct a plant near Nashville, Tennessee for the production of titanium sponge and titanium ingots. The government, impressed by Crane research, and its improved production methods worked out since 1951 (by actual operation of a pilot plant) is advancing $25 million to build the plant. On completion, this unit will be able to turn out about 6,000 tons a year; and it will make Crane top dog in the field.

Being thus deeply dedicated to the future of titanium, Crane has been losing no time in scouting for the basic ores, ilmenite and rutile. It hopes to have, in due course, its own ore reserves and to that end has had geologists combing wide areas of North America; and it already has staked a number of mining claims up in Quebec.

This titanium development is no casual side line; it may be very big, and tie right into **Crane Co.** traditional products. For example, titanium is especially resistant to salt water corrosion; and the marine field is replete with pumps, condensers, valves and turbines, all of which would last years longer were they not eaten away by salt water.

So, in review, we see quite a large scale business in Crane's original field, valves, from a faucet to a pipeline gate valve, 16 feet tall and weighing 10 tons; plumbing and fittings from a powder room to a chemical plant; and a century old reputation for quality. Add to that the new horizons of growth in aircraft, electronics, and titanium, and perhaps you may feel that Crane Co. common might, some day, sell for something more than its net current assets, which is just about where it is today.

Stock Yields 7¾%

For the year 1952, gross earnings totaled $319 million (they were only $175 million in 1949) and created a per share net of $3.96 on each of the 2,360,294 common shares listed on the N. Y. S. E. Ahead of this lies $20 million of 3⅛% debentures and about $14 million in 3¾% preferred stocks. Carrying these issues at par, 1952 year-end book value was over $60 a share; and compares with 29, the current quotation. 1952 dividends were $2.25. Assuming the cash dividend is continued at this rate (which current earnings would seem to justify) a yield of 7¾% is offered to today's buyer.

Since 1949 plant improvements and additions have exceeded $40 million. Important to the future of this enterprise is the research referred to in the 1952 annual report: "We now have some 336 engineers, a number of whom have achieved national reputation, and while a great amount of effort goes toward improving present product—more and more time is being spent on wholly new developments for the company."

When it is perceived that the current market valuation of Crane common is within a point of the two-year low, and way below its 1946 top of 49⅝, when the company was far less impressive in respect to gross sales, balance sheet position, and horizons for future growth, it can be seen that Crane common is not particularly inflated today.

Crane Co. should not be considered for its market virtuosity; but to those gifted with the rare quality of patience, and perhaps attracted by the rather generous indicated current yield, and the dominant position of Crane Co. in its field, the common may not seem devoid of merit. It may prove to be a value in valves.

N. W. Gennes Joins McGrath Securities

Nathan W. Gennes has been appointed General Manager of McGrath Securities Corporation, 70 Wall Street, New York City. Mr. Gennes who graduated from Temple University has over 25 years experience in the banking field, starting his career with Graham, Ross and Company. He was associated with R. V. Klein & Company previous to joining McGrath Securities Corporation as Sales Manager.

Nathan W. Gennes

Joins Morgan Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.— Meade F. White has become connected with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. White was formerly with Dean Witter & Co. and J. A. Hogle & Co.

Last of Commentaries on an "Inside View of the United Nations"

Balance of comments on William A. Robertson's article given in today's issue.

We present in today's issue the last of the communications received in connection with the views and opinions expressed by William A. Robertson, Member of the New York Bar, in his article "An Inside View of the United Nations" which appeared in the "Chronicle" of July 2. Other reactions were published in our issues of July 23, July 30, Aug. 6, Aug. 13 and Aug. 20.

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.

The remaining unpublished comments elicted by Mr. Robertson's article appear herewith.—EDITOR.

DR. V. R. EDMAN
President, Wheaton College, Wheaton, Ill.

I was greatly disappointed when the charter of the United Nations was prepared and promulgated, in that it enlarged rather than corrected the fatal weakness of the League of Nations, namely, that the executive branch was hopelessly weak and divided. Mr. Robertson's study of the members of the Security Council provides an excellent and up-to-date study of the members of the Council; and his conclusion that nothing good can come from it is amply justified.

Dr. V. R. Edman

I have been pointing out these factors to students in the college for some years, even going to the effort to print a little brochure on the subject, entitled "Swords and Plowshares."

WALLACE THORSEN
Editor and Publisher, UN Gram Publishing Co., Inc., New York City.

It is Mr. Robertson's stated position that the nations which are members of the Security Council of the UN are "governors of the world."

Rubbish! The United Nations is an association of sovereign nations, not a world government in any sense. While it is true that all UN action is recommendatory except in the Security Council, the latter body cannot function on any substantive question if any of the five permanent members use the veto. Any observer of the actual workings of the UN, moreover, is struck by the lessening power of the Security Council and the growing strength of the General Assembly (in relation to each other).

But what Mr. Robertson is trying to prove is:

(1) Peace is a commodity only like-minded peoples can or should join together to obtain;

(2) The UN is composed of obviously unlike-minded peoples;

—therefore—

(3) The UN cannot keep the peace.

Once again, rubbish! Unlike groups can accomplish limited objectives at any time. In the area of world order we need mention only three to prove the point: the coalition that defeated Napoleon; the coalition that defeated the Kaiser; the coalition that defeated Hitler.

Or, in the simple field of handling the world's mail, over 90 countries belong to and abide by the joint rules of UPU (Universal Postal Union) which has been a going concern since 1875.

The key, of course, is the phrase "limited objective." In the case of the UN, that objective is definitely limited and well-defined: (1) to keep the peace; (2) to help make it worth keeping by seeking to remove, through group action of sovereign states, the root causes of war: poverty, hunger, disease, ignorance.

It is true that the UN has produced neither universal peace nor universal well-being. But it is equally true that in Korea, for the first time in history, a world organization fought against the idea of aggression and kept the aggressors from gaining any territory or from wiping out the UN-sponsored Republic of (South) Korea. It is also true that the UN's Technical Assistance Program and its Specialized Agencies and special projects have accomplished a great deal in checking cholera, plague, TB, yaws and malaria; in teaching thousands of people how to become useful civil servants; in teaching millions to read and write; in caring for and feeding many millions of war-stricken children, etc. etc.

Surely Mr. Robertson, in his obviously painstaking but hardly objective research, came across no claims by the UN or any one else that its members think, act, govern and sin alike. In fact there is a ton of evidence showing that the UN is a conscious effort to bring disparate and uncongenial dissidents under one roof to "talk it out rather than fight it out." For him to show so laboriously that the various members are indeed different, even immoral in his light, simply shows that the UN has the precise composition it set out to achieve.

Actually, I am well aware, many in this world don't like the idea of joining together in any kind of long-term commitment. To them, it hampers freedom of action. It infringes on their sovereignty. It forces them to slow down, or to move over, or to think too much about the other fellow. It is natural for such people to find all sorts of "reasons" why a relationship that imposes these restraints without compensating immediately with rewards that outweigh the restraints, is "bad."

It is perhaps for this reason that Mr. Robertson feels willing, even compelled, to condemn most of the human race when measuring it against Americans. But again, if he is really surprised to find so little democracy as we know it around the world; so few governments like ours—he will not shock many even casual students of world affairs. With more than half the world illiterate, the secret ballot has little meaning for most human beings. With over half the world sharing a per capita income of less than $50 a year, trial by jury becomes remote as a problem compared to survival. With more than half the world sharing a life expectancy of about 30 years, political action is apt to be rather explosive.

But times are changing. The old colonial days are over. Over half the human race has broken away from Western domination since the drafting of the UN Charter at San Francisco in 1945. They have either succumbed to Communism or achieved independence in a nationalistic dream Mr. Robertson could well applaud.

And in most of the world, most of humanity would, if pressed, have less compliments to pay us than Mr. Robertson pays them. But even if what they say is true (and I definitely think most of it is not) would that be any argument for locking the US out of the UN?

In actual fact, what they say or think, or what we are or what they are, has literally nothing to do with the UN's limited objectives. All peoples of the world can, if they will, agree with it—even those who now seek to escape from its entangling comitments.

So far the record is—no world war, several small wars prevented, one large test war (Korea) successfully weathered. Meanwhile, the UN strives with little money, remarkable tenacity and frequently astonishing results to lessen the differences between men which Mr. Roberston finds so final.

Fortunately for us all, and for the prospects of world peace, they are not.

ELLWOOD C. NANCE
President, University of Tampa, Tampa, Florida


Dr. E. C. Nance

Mr. Robertson is factual, to say the least. If we can clean up the United Nations, and I think we should, it could more than justify its existence. It offers more hope than we have in any other agency for world cooperation and peace.

CYRUS P. BARNUM
Los Angeles, Calif.

My comments regarding Mr. Robertson's article will be of two kinds—specific, applying to statements or conclusions in the body of the article—and general, applying to Mr. Robertson's limited view of the United Nations.


Cyrus P. Barnum

Specific Comments

It is not correct to call the members of the Security Council, either permanent or nonpermanent, "governors of the world." Critics of the UN frequently confuse it with world government, which they do not like, but it is not world government except in their imaginations.

Mr. Robertson carries on this misconception when he speaks of "the lower house, called the General Assembly." The principal function of the Assembly is to discuss and make recommendations. In the process, it helps to create public opinion which, in various instances in its eight years, has been a very effective weapon —more so than "legislation" might have been.

It is a minor matter, but Mr. Robertson's inaccuracy in stating

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The State of Trade and Industry

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

Following the mid-summer lull over-all industrial production perked up slightly last week as many lines increased their tempo. Output, according to reports, continued to be moderately above the level of a year ago, but down slightly from its post World War II peak reached several weeks ago. Both electric power output and gasoline production attained new all-time records the past week.

On the employment front, it was reported that claims for unemployment insurance benefits held noticeably below the year-ago level.

Reporting on the current steel situation, "The Iron Age," national metal-working weekly, had the following to say:

By springing steel loose for other customers, the General Motors transmission plant fire has stolen the headlines from the most influential development in the steel market today—the changing buying attitude of the metal user. No longer panicked by shortage into long-term forward buying, the metal consumer is altering procurement policies to fit the new temper of the times, it points out.

Uncertainties bred of the widespread feeling that the production boom is at crest and must ebb moderately is pushing the manufacturer into shorter-term buying based on competitive advantage. In many cases concrete plans to adjust inventory downward are being made. With shortages of even some "tight" steel products seen dissipating in future months, the expanded steel industry is adjusting its gait to that of industry in general, declares this trade authority.

Without question, it adds, the overall steel market will decline in the fourth quarter. Several large steel producers told "The Iron Age" that the main affliction of the market is a desire of consumers to reduce inventories. These users see the steel industry's expanded capacity as ironclad insurance against future shortages, don't want to enter an uncertain, more competitive era with heavy inventories.

They are accordingly paring their fourth quarter orders. There is no incentive to push hard for most steel products, especially since prices will certainly stay static, this trade weekly notes.

The Detroit steel market appears to be easing daily while steel men opine that the General Motors fire is but part of the reason. Steel companies with warehouses now concede that the urgency first was bled out of demand in late June. Contributing to the current easing are automotive parts suppliers who are starting to cancel steel orders, according to this trade journal.

Some steel products now in torrid demand will ease as months wear by. With fewer exceptions the overall relationship between demand and supply next year will be one of closer balance—a trait of a "normal" market, states "The Iron Age."

A drop in automotive production is looked for this week with Oldsmobile, Cadillac, Nash and Kaiser down, and reduced schedules planned for some other producers, "Ward's Automotive Reports," states.

Last week's expected sharp drop in car production—due to the fire at General Motors, Livonia, Mich., transmission plant—did not occur. Those declines which came were offset by sizable gains by Chevrolet, Plymouth, Hudson and Buick.

Total car production the past week was 129,262, or very close to the 128,946 in the previous week, this agency notes. In the like year ago week the figure was 83,035.

This week, however, will reflect more fully the serious effects of the General Motors fire on weekly assemblies. Oldsmobile's Lansing, Mich., plant will remain closed all week with 5,300 out of 11,900 workers off as this General Motors division takes annual inventory. About 2,500 of the laid off workers will not be recalled when Oldsmobile resumes output at lower rates on Aug. 31.

General Motors' Fisher Body Division plant at Lansing, which makes Olds bodies, will also close for inventory this week with 4,100 workers to be laid off. Some 500 workers will not be called back to work at the Fisher Body plant when production is resumed Aug. 31.

"Ward's" said the fire held General Motors' total output of cars last week to an 11% slower rate than early this month, "with a deeper cut" expected this week.

The agency expects 490,000 cars and 97,000 trucks to be built this month, compared with 597,006 cars and 110,692 trucks last month.

While business failures decreased 11% to 724 in July, they were at a postwar high for the month. At about 25% above a year ago, casualties exceeded the level of any other July since 1942, at which time 764 failures occurred.

Concerns failed at the rate of 34 for each 10,000 enterprises according to Dun's Failure Index. The index projects monthly mortality to an annual rate and adjusts for seasonal variations. This failure rate was slightly below the 35 recorded in the preceding month, but it was well above the 25 a year ago. With the exception of July, 1949, the failure rate this July was the severest for any July in the last 11 years.

Contrasting with the decrease in the number of failures, the liabilities involved climbed 28% in July to $41,324,000, a new high for the post-war period.

Furthermore, losses bulked the largest for any July since 1932, reflecting a marked upswing in the larger failures, involving

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Warfare Outside and Inside the UN

By A. WILFRED MAY

UNITED NATIONS, NEW YORK—Possibly the ironic epitome of the current explosive wrangling over the nominees to the coming Korea Conference here is contained in the contention advanced in some quarters that under a correct interpretation of the truce agreement, the subject could have been entirely avoided as none of the UN's business. And although General Mark Clark signed the truce as commander of the UN forces, putting the Organization in the position of naming its own participants, the point does have considerable technical validity. But it is just as well that the additional headache of discussing this procedural question was not saddled on to the already explosive proceedings.


A. Wilfred May

And perhaps it is just as well as a service to the public's understanding that evidences of the fast-growing rifts between the democracies are being so clearly highlighted here. We see demonstrated the deleterious effects of the Kremlin's Peace Offensive and general appeasement atmosphere in constantly-accentuated anti-Americanism. This is reflected in the unceasing recriminations (fostered by mutiny against rich Uncle Santa Claus in a world facing reduction of his largesse) currently issuing from both sides of the Atlantic. And, joining the band-wagon, a goodly segment of the American public also has, in letters-to-the-editor and other pronouncements, been calling our attitude "mulish," "Republican-isolationist," and the like.

And in "pouring-on" the pressure on Anglo-U. S. relations the British are busily characterizing our position in opposing an invitation to India to the first political conference, as manifesting everything from "yielding to Syngman Rhee's blackmail," to "functioning as South Korea's satellite," to "clumsy rigidity."

As with so much in operation of our foreign policy, *any* way in which our poor Mr. Lodge plays the game is wrong. On the one hand he is being criticized here for not having clarified his stand *earlier;* on the other hand, the British, as in the words of the current London "Economist," are berating him for not recognizing that "it is bad to define one's intentions too strictly in advance—in effect, to tear up good cards before playing the hand."

"Is There a Cold War?"

The crux on which the dissension now rests here as well as throughout the non-Communist world is purely and simply whether—even in the face of Soviet Delegate Vishinsky's daily pyrotechnical demonstrations to the contrary in these halls—the Cold War actually is safely ended. Ancillary thereto are our British friends' rampant charges that "the nationalist" United States is stubbornly and selfishly prolonging it by "refusing with puritanical logic and bull-headed pride to explore the present possibilities for diminishing international tensions"; and that the Eisenhower Administration is war-mongering as a stooge for Mr. Rhee, in lieu of so eagerly striving for a comparatively limited Korea settlement between the belligerents because of a sincere peace-striving conviction that this is an indispensable achievable first step, under the premise that no true settlement on a world-wide or even Asiatic scope is on the horizon at this time.

On this question of "to be or not to be" in Cold War, we are here as in so many other areas—including trade—falling out with our friends. Thus the Allies in wishful thinking are suffering the double-defeat of increasing dissension among ourselves as well as vis-a-vis the Russians. Pending lack of agreement on this crucial question of the whether and who-dunnit of the Cold War, our survival perhaps will depend on a strengthened NATO, or in its absence meanwhile on concentrating on our own defenses.

And to this dismal prospect the present weird state of the United Nations is now importantly adding instead of diminishing!

Paul T. Iaccaci Opens

Paul T. Iaccaci has opened offices at 115 Broadway, New York City, to engage in a securities business. He was formerly with M. S. Gerber, Inc., and Newkirk & Co., Inc.

Francis K. Justus, Jr. Opens

SMITHVILLE, Mo.—Francis K. Justus, Jr., is engaging in a securities business from offices in Smithville. He was formerly with Uhlmann & Latshaw.

Joins A. L. Albee

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — F. Dorothy Hjelmquist has joined the staff of A. L. Albee & Co., Inc., 4 Liberty Square.

With Manley, Bennett Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Henry G. Gildner has become associated with Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Looking at Both Sides of Business

By EUGENE E. BURLINGAME*
Research Associate, Babson's Reports, Wellesley Hills, Mass.

Mr. Burlingame reviews favorable and unfavorable factors in business situation. Holds unfavorable elements are strong enough to indicate a downturn is not far off, but says we need not suffer a severe depression, and a substantial recovery "to the greatest prosperity ever known" may be expected.

A friend of mine from down Maine has a favorite expression — "The only people who think they know what's going to happen next are either prophets or damn fools, and the prophets are all dead." This is especially pertinent with respect to business forecasting. There are too many variables for anyone to predict what the future holds with a feeling of definite knowledge. Ours is a highly complicated economy. At any given time there are a multitude of favorable and unfavorable elements influencing the business trend. When the unfavorable factors predominate we have depressions. When the favorable factors predominate we have booms. All an economist can do is to consider the various influences on each side, and through his analysis, try to decide which has the greater weight. Economists in this respect are somewhat like tennis fans — they each have swivel necks from constantly looking back and forth — first at one side, then at the other.

E. E. Burlingame

There is a lot of statistical data to support both sides today. Both the optimist and the pessimist can evoke some very convincing facts. I'd like to run through some of the more important arguments on each side before I give an actual forecast.

One of the major arguments for a down-turn is simply that the boom has lasted so long. Unless the business cycle actually has been ended, it is obvious that the longer the boom lasts, the closer we move toward a slump. Since all branches of the economy do not share equally in booms, maladjustments build up which must ultimately be corrected. Thus the 1930-33 depression was caused by the excesses of the late '20's.

Decrease in Family Units

Moreover some major determining forces overlap cycles. The decline in the birth rate during the depression '30's will have an important influence on business during the next few years. Because fewer babies were born during that period, fewer people are reaching marriageable age now. We estimate that the growth in the number of households will average less than 700,000 annually during the rest of the decade. This compares with an increase of one and one-half million annually in the years immediately following the war. You can easily imagine the effect a drop of this magnitude will have on demand for housing, furniture, appliances, diamond engagement rings, as well as steel, glass, cement, and other supplier industries. It is hard to believe that the economy could sustain such a blow without serious effect.

The effect will be multiplied by the fact that increases in plant capacities to meet the peak demands of recent years are now largely completed. Since 1949, American industry has spent over $100 billion for new plant and equipment. Part of this was strictly for war work, but under our "guns and butter" program, a great deal went for consumer goods capacity. When demand drops, the excess capacity will be a drain on corporate profits through maintenance and depreciation charges. Even more important, the rate of expenditure for new plant will drop rapidly, giving the construction and allied industries another major headache.

Automobile Cutback Forecast

The other principal support to the recent boom, aside from the defense program, has been the automobile industry. Since 1945, some 35 million passenger cars have been built. The average age of automobiles in use has dropped substantially in recent years, and the production losses during World War II years have been almost wholly made up. We have seen used-car inventories pile up on dealers' lots this summer, and even new cars have become increasingly hard to move. As has been aptly said, dealers have been selling long credit-terms instead of automobiles, with little or no down payment required. This has drawn in the marginal buyers, and indicates that the last buyer group has been reached. From the July rate of over seven million cars annually, we expect production to drop to about a four million car annual rate by the end of the year.

According to present indications both the automobile and the construction industries will be in a downtrend at the same time. This has not occurred since the depression '30's, except for the war years. These are both key industries to which a host of supplier industries are tied. Their downturns will therefore be felt throughout the economy, bringing a drop in employment, purchasing power and sales. Inventories, which have increased by about $5 billion during the past year alone, will begin to look awfully high. Consumers will become less anxious to purchase, and especially so, where the purchase involves debt. Banks and other lending institutions will tighten up on credit risks. If the traditional sequence were to follow, production cutbacks would spread from industry to industry with a multiplier effect, and an old-fashioned depression would be well under way.

The one-sidedness of this analysis so far is reminiscent of the story about the father who arrived late at a Little League baseball game and asked his ten-year old son, who was on the bench, what the score was. The youngster replied "It's thirty-seven to nothing Dad, they're ahead. But don't worry — we ain't been up to bat yet." The optimists also have considerable strength on their side. There are very good reasons why the traditional boom-bust sequence need not operate the same way it has in the past.

Broad Purchasing Power Base

The economy of the United States has experienced a tremendous upheaval since the early 'thirties. One of the most significant changes has been the increased share of national income which accrues to the lower income groups. In this country today we have the broadest base for purchasing power that has ever existed at any time in history. Not only has this characterized the unparelleled prosperity of recent years, but it should also help prevent a severe depression from getting underway. For the first time, a large proportion of the working classes have savings with which to cushion the effects of economic declines. In addition, unemployment benefits will at least partly maintain purchasing power. This provides an internal self-starter toward a quicker recovery, should a depression take place.

As to the likelihood of a depression, it should be remembered that our economy is not a single unit, but is instead a vast collection of individual units. We have already had depressions for various industries through what have been called "rolling readjustments." The textile industry has been through at least two "depressions" since the end of World War II, and at various times furniture, appliances, paper, lumber, and other important industries have also had slumps. These have not precipitated widespread depressions because their effects were isolated from the rest of the economy through the maintenance of over-all purchasing power derived from other active industries. If we can continue to avoid a concurrence of downturns of important industries, we need not worry about a total depression.

Defense Spending to Continue

A unique feature of the present situation is that our most important industry is almost wholly immune from ordinary cyclical downturns. The defense program, involving in total some $50 billion a year, or about one-seventh of Gross National Product, is largely independent of economic conditions. The effects of a final peace settlement in Korea have been argued persuasively in support both of new boom and of collapse. However, with the international scene unsettled in so many areas, it doesn't seem that agreement in regard to tiny Korea will necessitate any sharp revision in our defense plans or spending. There will be some pressure for cut-backs, but defense spending seems destined to play a major role in our economic scene for some years ahead. Though the dynamic phase of the program is past, it provides an impressive cushion against declines in activity. It is especially to be doubted that the government would reduce defense spending in the face of an impending economic setback.

It is more likely in fact, that Federal spending would be increased at such a time as a counter-cyclical measure. There is no chance that the government will act insufficiently, as in the early 'thirties, should a depression seem imminent. Today, there is a vastly improved understanding of business cycles. Moreover, in Dr. Arthur Burns the President has perhaps the best-informed expert on business cycles in the country. Plans are already being devised as offsets to various unfavorable economic possibilities. It would be unreasonable to dismiss these plans as unworkable before they are even completed and announced.

"Downturn Not Far Off"

There are many other important arguments on each side of the question. It seems to us at Babson's that the unfavorable elements are strong enough to indicate that a downturn is not far off. However, if we use effectively the knowledge and the tools which we have, we need not suffer a depression as severe as in the past. Moreover there are forces already developing which will hasten the subsequent recovery. The research laboratories of the nation are working overtime to develop new techniques, new products and new industries. About $3½ billion was spent in 1952 for research and development. That's more than four times the 1939 total.

For the new products being developed, new markets are being created by the parents in the nation. The baby industry is the most dynamic force in our economy. It is a unique industry in that everyone makes money from the product except the producers. They lose money on each item, but it hasn't slowed them down. They have been turning out an unprecedented crop of babies for several years now. Thus, with the government prepared to use its powerful economic weapons, with private industry spending time and money in the creation of new markets, and with private individuals spending time and money in the creation of new markets, we possess an impressive array of anti-depression forces. Though we anticipate a business downturn, we expect it to be followed by a substantial recovery to the greatest prosperity we have ever known, if, God willing, we have a reasonable semblance of international peace.

*A talk by Mr. Burlingame at the Annual Babson Summer Business Conference, New Boston, N. H., Aug. 24, 1953.

Business Depression Imminent!

By W. D. GANN
Miami, Fla.

Mr. Gann contends his study of Time Cycles indicates that inflation and the business boom are coming to an end and a decline in stock prices is inevitable. Predicts a decline in September of both business and stock prices, the same as in 1929. Says next few years will prove that war prosperity, government crop support policy, and increased surpluses do not make real prosperity.

Time cycles have never failed to indicate great upswings in business and stocks. They have also always indicated declines in the stock market and business depressions.

W. D. Gann

During all previous wars there has nearly always been a business boom and inflation which has continued after the end of the war and has been followed by a severe depression in business.

After the World War ended in November, 1918 there was a big advance in stocks and an upswing in business which lasted until November, 1919. During 1920-21 a depression in business followed and the stock averages declined nearly 50%.

After World War II ended in August, 1945 business continued good and stocks advanced to new highs in May, 1946, followed by a decline to October 30, 1946. However, there was no business depression of any importance.

June, 1949, the last upswing in the Bull Stock Market began, which brought on inflation and a business boom. The Dow-Jones averages reached high in January, 1953, which was the highest since April, 1930. Then stocks declined until June 10, 1953, which was the longest decline in period of time since April, 1942.

It is now eight years since the war with Japan ended, and there has been no business depression or drastic decline in stock prices comparable to that which followed previous wars.

The Korean war, which lasted over three years, has now come to an end and this can mean the end of inflation and the end of the business boom.

My studies of Time Cycles indicate that inflation and the business boom are coming to an end and that a depression in business and a decline in stock prices are inevitable.

In October, 1928, by study of Time Cycles, I was able to forecast the end of the great Bull Market in stocks for September, 1929 and predict the greatest panic in history to follow. History verified the accuracy of mathematical Time Cycles.

Decline Set for September

September, 1953 will start a decline in stocks and a business depression the same as in 1929. The Cycles indicate that the decline in stocks and the business depression will continue until the latter part of 1955.

The coming depression is not only indicated by Time Cycles but also by economic factors which plainly confirm a depression the same as followed all the great wars.

Since 1933 we have had one emergency after another, and the government has been spending and giving away in order to hold up prices and make prosperity. The government debt has been increased to the greatest in history and now President Eisenhower has been compelled to ask for further increase in the debt limit.

State and municipal debts have soared during the past 20 years. Private debts are the largest in history. Instalment debts are about $25 billion.

Loans on homes and farms are approximately $60 billion. Borrowings on stocks, bonds, and other securities are close to $75 billion. If all debts, private and public, were totaled up, they would probably exceed $700 billion.

After 20 years under the New Deal, with government spending and waste the greatest in history, there is no plan in sight to pay off debts or redeem government bonds. High-priced labor and inflated prices in commodities have priced our goods out of the world markets. We have over-produced everything and have surpluses which cannot be sold.

Government spending of money, which they take from the taxpayers, must soon come to an end. The government will have to stop giving away and loaning money to foreign countries that probably can never repay it.

If after 20 years of the greatest so-called prosperity in history all kinds of debts have increased, what will happen when a depression sets in and these debts cannot be paid?

Bill Must Be Paid

The New Dealers told us, "You have never had it so good." They should have said, It never cost you so much. For all of this waste and reckless spending, which has used up all of the accumulated surplus of the past 175 years and put us hopelessly in debt, the bill is yet to be paid. How can it be paid during a business depression or even under normal conditions?

What right has our government to ask the taxpayers to buy bonds and stand increase in taxes while the government loans money or gives it away?

Debts have been piled on top of debts, and buying on credit has become a popular slogan. When credit is stopped, the greatest liquidation in history will follow and losses to businessmen will be enormous.

The government cannot stop a depression by spending money for public works, because when business gets bad, less taxes will be collected and the people cannot afford to buy bonds to support government spending.

Investment trusts hold the largest amount of stocks in history. The day will come when they will be forced to sell. Where will they find buyers for the large amount of stocks they hold?

For 20 years the government has gone on the theory of waste, give away tax and spend. The time has come to stop, look, listen, save and pay as you go. The time has come to spend the taxpayers' money to prepare for peace and not for war.

The next few years will prove that war prosperity, government crop supports, and increased surpluses do not make real prosperity but lead only to deflation and depression.

If we must bankrupt our country to get ready to fight Russia, and Russia does not fight, we will have a worse depression than ever.

Neil H. Jacoby Named Member of Council of Economic Advisers

President names economist and educator to reconstituted three-man agency, provided under Employment Act of 1946 to advise on national economy.

It has been announced that President Eisenhower has appointed Neil H. Jacoby a member of the Council of Economic Advisers. Dr. Jacoby, a prominent economist and educator, has since 1948, been Dean of the School of Business Administration of the University of California at Los Angeles.

Dr. Jacoby was born in Dundurn, Saskatchewan, Canada, on Sept. 19, 1909. He came to the United States in 1930 and was naturalized in 1937. After graduating with the degree of Bachelor of Arts from the University of Saskatchewan in 1930, he received his degree of Doctor of Philosophy at the University of Chicago in 1938.

Dr. Jacoby was Chairman of the Saskatchewan Taxation Commission in 1936. Before that, from 1933 to 1936, he was Supervisor of the legal and research division of the Department of Finance of Illinois. He returned to the University of Chicago in 1938, becoming Professor of Finance and Vice-President of the university. In 1940-41 he was Chairman of the Illinois Emergency Relief Commission. He became Dean of the School of Business Administration at U. C. L. A. in 1948.

He is affiliated with the Committee for Economic Development, and the Bureau of Economic Research in New York.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward T. Cronin and Fred G. Michaelis are now associated with Hannaford & Talbot, 519 California Street. Mr. Cronin was formerly with Hill Richards & Co. Mr. Michaelis was with Paul C. Rudolph & Co.

Commercial Banks And Consumer Credits

By ROBERT O. BONNELL*

Vice-President, The Fidelity Trust Company, Baltimore, Md.

Warning that experience by commercial banks with consumer credit loans has occurred mainly during a "fairweather paradise," Baltimore banker says this has created illusion that a fool-proof business has been discovered. Urges consumer bankers get their houses in better order for coming readjustments, and lays down principles for credit evaluation. Stresses importance of making consumer credit information available to commercial credit department of banks. Holds banker should be neither pessimist or optimist, but a realist, firm without being rigid. Sees "bloom off boom."

We must constantly remind ourselves that consumer lending on a large scale has developed only within the last 40 years or so. Naturally, during the first 10 years caution prevailed as pioneers felt their way. Unsettled conditions for a brief period following World War I, 30 years ago, dampened excess enthusiasm and gave fair-weather operators a timely warning.

Robert O. Bonnell

The depression years of the early '30s was another stock taking period for the consumer banker. Incidentally, very few commercial bankers had recognized the opportunities offered by the amortized loan prior to 1930, and the first big commercial bank to enter the field was the National City Bank of New York, which was just getting started when the economic storm broke late in 1929.

The record made by consumer credit institutions during the depression years — the late '20s and early '30s — was so good that the spread of that type of banking was greatly stimulated. Commercial banks began to recognize not only the opportunity of increasing their earnings by extending such credit, but, what was far more important, they found that consumer credit departments helped dissipate the politicians' inference that bankers were "economic royalists" interested only in the "princes of privilege."

Consumer credit as a part of commercial banking really began to take hold about 1935. That is significant, for at that time the country was just beginning to recover from the economic debacle of the early '30s. Prices were low, those still employed were permanent, only the solid business man had been able to stand the strain, and the only way the economic curve could go was up.

While a lag threatened late in 1937 in spite of huge government spending — foreign purchases, stimulated by the threat of war, rapidly put the economy into high gear and the inflationary spiral began and continued without abatement for 10 years. The leveling off process after World War II was halted almost at its inception by the "police action" in Korea and by one of the most intense inflationary programs in our history.

Commercial Banks Experience With Consumer Credit

Why all this review of a period with which all of us are familiar? Because it was during this inflationary period that began at the bottom in 1933 and reached its peak only a few months ago, that the great majority of commercial bankers have had their experience with consumer credit. During that time there has been no sizable unemployment, no substantial price reduction, no real inventory glut and no extraordinary epidemic of business failures.

Under such circumstances it is not surprising that credit extended to the consumer has proved collectible, that losses have been almost nil and that loan portfolios of consumer credit departments of commercial banks have been bulging with loans with maturities in some instances running as long as 36 months.

It has been hard for the credit man of banks to be wrong except those who expected the readjustment earlier and turned down sub-marginal loans which proved collectible during the continued inflationary cycle. The last 20 years have been the fair-weather operators paradise. Unfortunately, it has created the illusion in the minds of many that at last a lane has been found which has no turning, and that a fool-proof business has been discovered. It reminds us just a little of the neophytes who thought they had found a permanent bonanza in the stock market in the middle and late 1920s.

But "there ain't no such animal." Those lenders who found in the appliance and television market a huge volume of loans have recently had a sad awakening. They hadn't gone through the experience of financing phonographs, radios and vacuum cleaners in their heyday. Those who found an easy way to put out money for long terms with short down payments, at what seemed to be profitable rates, secured by new and used cars of every make, model and year, are beginning to wonder what has happened. They didn't have the experience of the early '20s and '30s to remind them that it is indeed a "long lane that has no turning."

The modest reminders banks have had recently that indiscriminate lending can be unpleasant, unfortunate, or even disastrous, will have a wholesome effect. These reminders have come at a time when employment and wages are at an all-time high. It is true that certain of our industries have been going through a readjustment period, such as textiles and shoes. It is true that farm prices have had to be bolstered by huge surplus buying programs, financed by a tax levy on all of our citizens. But by and large the adjustments to date have not been great. They have been substantial enough, however, to make prudent men move more carefully.

Banks Should Prepare for Readjustments to Come

Will consumer bankers, particularly those who came into the picture during the last 20 years, recognize these warnings and get their houses in better order for more readjustments to come? If they do they will continue to serve their communities well and produce profits for their stockholders. If they do not, they will contribute to the difficulties inherent in a post-inflationary period and will face many severe collection headaches, which could dissipate their profits and could conceivably reduce their principals.

In view of possibilities, it is an appropriate time to review some of the first principles of credit evaluation. An examination of the elementals of our subject will give us a chance to check up on ourselves. It is easy to get so engrossed in mechanics that we overlook the fundamentals.

The banker's task of establishing the amount of credit his customer is entitled to has been complicated by the gyrations of the cost of living, of doing business and of running an industry, and by excessive tax burdens. Coupled with these tangibles are the intangibles which are the by-product of a synthetic economy built up over a period of 20 years and stimulated by the excesses of two wars —World War II and the Korean War.

But the banker's task is not too complicated unless he chooses to make it so. Regardless of wars and rumors of peace, truces and what have you, normal people are entitled to credit and will discharge their just obligations once they have been assumed. The seasoned banker knows that a loan well made is, with very few exceptions, easily collected.

The banker is expected to establish such credit policies as will recognize the citizens's right to credit but not a license to abuse it. Abuse of credit affects the community very much the same as the reaction caused by a stone thrown into a placid pool. The effect is felt in an ever-widening circle.

We bankers cannot escape our responsibility to guide our customer. He may not always follow our advice but he has a right to expect constructive suggestions. After all, the more successful our customer is the better our institution fares. That doesn't mean that we should try to run his business, but it does mean that if he is over-extended we should point that out. If he has a tendency to tie up too much of his working capital in fixed assets, we can diplomatically explore the dangers of such a program with him—and so on.

He must take the same attitude toward our personal loan customers. Our loan officers have an excellent opportunity to do some constructive work which often reflects itself in increased confidence in our bank. Even when the advice we give is not followed, many times it eventually redounds to the credit of the institution.

Consumer Credit Information

Incidentally, the importance of making consumer credit information available to the commercial departments of our banks can hardly be over-emphasized, particularly in the dealer discount area or where heavy equipment or machinery is being financed. Neither the commercial nor the consumer credit department should make any commitments until the credit has been cleared by both departments of the bank.

Of course, if the banker's advice is bad he will have to accept the responsibility for being wrong. Consequently, it is important that he be right not only in theory but in practice. He is not likely to be

Continued on page 16

*A talk by Mr. Bonnell at the School of Consumer Banking, University of Virginia, Charlottesville, Va., Aug. 20, 1953.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Booklet describing resources of Utah, Idaho, Wyoming and Colorado—Dept. K, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Bond Yields and Money Rates 1911-1953 — Bulletin — C. F. Childs and Company, Inc., 1 Wall Street, New York 5, N. Y.

Cuban Sugar—Lamborn's chart of stock of sugar in Cuba 1951-1952-1953—Lamborn & Company, 99 Wall Street, New York 5, New York.

German Dollar Bonds—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

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

1953 vs. 1946—Analysis—Francis I du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

Stock Instalment Purchase Plan—Outline of 50 selected issues—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

American Hospital Supply Corp. — Memorandum — David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

American Radiator & Standard Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Nopco Chemical Co.**

Berkshire Fine Spinning Associates, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

California Oregon Power Company—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, Calif. Also available are reports on **Texas Eastern Transmission Corp., Permanente Cement Company,** and **Southwestern Public Service.**

Wm. Cameron & Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

Canadian Pacific Railway Company—Review—James Richardson & Sons, 173 Portage Avenue East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Canadian Propane—Memorandum—R. S. Weston & Co., 100004 Jasper Avenue, Edmonton, Canada.

Chicago, Indianapolis & Louisville Railway—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Florida East Coast Railway Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Illinois Power Co.—Memorandum—A. C. Allyn & Co., Inc., 44 Wall Street, New York 5, N. Y.

International-Great Northern Railroad Company—Bulletin (No 141)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Libby, McNeill & Libby—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

Marine Midland Corp.—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

McKesson & Robbins, Inc.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Metal Hydrides—D. A. Lomasney & Co., 39 Broadway, New York 6, N. Y.

Pabco Products—Memorandum—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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

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

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.

Triad Oil—Memorandum—Cochrane, Murray & Hay, Dominion Bank Building, Toronto, Canada.

Uarco Inc.—Memorandum—Central Republic Co., 209 South La Salle Street, Chicago 4, Ill.

U. S. Vitamin Corp.—Report—Loewi & Co., 225 East Mason St., Milwaukee 2, Wis. Also available in the current issue of "Business and Financial Digest" are analyses of **Wisconsin Electric Power Company** and **Dun and Bradstreet, Inc.**

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION CONVENTION PROGRAM

Sun Valley, Idaho—September 16-19, 1953

WEDNESDAY, SEPTEMBER 16

9:00 a.m.	Registration
12:30 p.m.	Men's Luncheon Speaker: Mr. W. F. Nightingale, President Mountain Fuel Supply Company
1:00 p.m.	Ladies Luncheon (Bridge and Canasta)
3:00 p.m.	Men's Bowling Tournament
6:30 p.m.	Reception
7:30 p.m.	Dinner Speaker: Mr. H. L. Hoffman, President Hoffman Radio Corporation
9:00 p.m.	Dancing

THURSDAY, SEPTEMBER 17

8:30 a.m.	Past Officers Breakfast
9:45 a.m.	National Committee Meeting
12:30 p.m.	Men's Luncheon Speaker: Mr. Sidney M. Ruffin, Burgwin, Ruffin, Perry & Pohl, "Current Trend in School Financing"
1:00 p.m.	Ladies Luncheon (Bingo)
3:00 p.m.	Men's Bowling
6:00 p.m.	Cocktails
7:00 p.m.	Outdoor Barbecue
9:00 p.m.	Dancing

FRIDAY, SEPTEMBER 18

Full day of Athletic Activities, Golf Tournament, Croquet, Fishing, Horse Shoes, Tennis, Trap Shooting and Ski Lift Ride.

5:30 p.m.	Amateur Ice Skating Contest for Ladies and Gentlemen. Sponsored by Investment Dealers Digest. Prizes.
7:30 p.m.	Dinner
9:00 p.m.	Sun Valley Ice Show
10:00 p.m.	Dancing Duchin and Ram Rooms

SATURDAY, SEPTEMBER 19

9:30 a.m.	National Committee Meeting Election of Officers
12:30 p.m.	Men's Luncheon Speaker: Mr. Patrick B. McGinnis, McGinnis & Co.
1:00 p.m.	Ladies Luncheon
6:30 p.m.	Cocktails
7:30 p.m.	Dinner Speaker: Mr. Harry Dillin, President Linfield College, Oregon.
9:00 p.m.	Dancing

AD LIBBING

Sid Sanders, Foster & Marshall, Seattle, has confirmed a commercial ad. Who said advertising contracts have been all allocated for the year 1953?

I consider our Year-Book an outstanding advertising medium. It has a longer life and one insertion reaches more corporation-minded individuals who are interested in earnings and growth of companies whose securities they retail or trade, whether listed or unlisted, and is an excellent field for public relations.

Our close today is $17,000. We should do a considerable job in securing commercial ads this year in view of the fact that E. P. T. expires December, 1953. Have you tried? Surprise yourself and help your treasury as well.

I received a card from Herbert H. Blizzard in Japan. He is still an NSTA fan. Why not drop Herb a line—Col. Herbert H. Blizzard, USAF, AF-PEO-FEALOG-FOR, APO 1007, c/o P. M., San Francisco, Calif.

K. I. M.

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

COMING EVENTS

In Investment Field

Sept. 11, 1953 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at Knollwood Club, Lake Forest, Ill.

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. 17, 1953 (Rockford, Ill.)
Rockford Securities Dealers Annual Outing at the Forest Hills Country Club.

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

Oct. 13-14, 1953 (Cleveland, Ohio)
Cleveland Society of Security Analysts Great Lakes Regional Conference.

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.

Business Man's Bookshelf

Security Dealers of North America—Mid-Year 1953 Edition—completely revised directory of stock and bond houses in United States and Canada—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—fabrikoid—$12.

Survey of United States International Finance 1952 — Gardner Patterson and John M. Gunn, Jr.—Princeton University Press, Princeton, N. J.—paper—$2.75.

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Roy C. Speer has become connected with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with E. F. Hutton & Company.

Joins Turner Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Roy T. Turner has joined the staff of Lola Turner & Co., Bank of America Building.

With Anderson Cook Co.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—William H. McLaughlin has been added to the staff of Anderson Cook Company, Inc., First National Bank Building.

Aims of Newly Constituted SEC

By J. SINCLAIR ARMSTRONG*

Member, Securities and Exchange Commission

Recently appointed SEC Commissioner, in outlining aims of its new administration, says objective is to find out whether and to what extent the regulatory processes that have been set up have gone beyond the scope and intent of the basic legislation enacted by Congress. Says Commission has in mind implementing the national economic policy of the new Administration, i.e., "encouragement of incentives that inspire creative initiative in our economy." Concludes there'll be no relaxation of efforts to eliminate fraud and abuses.

I approach the subject of the SEC with caution at the present time, because I have only been in office for a month, and I am sure you will understand that what I say to you is spoken only in terms of aims and ambitions whereas it would naturally be more pleasant and satisfying were it possible to talk in terms of accomplishments. The new administration of the SEC is at about the point in the football game when the opening whistle has blown, the ball has been kicked, but the first scrimmage is yet to be played.

J. Sinclair Armstrong

However, if you will take what I have to say in that light, I would like to give you very briefly a few of the ideas that motivate and animate the newly constituted Commission.

I am sure I don't need to tell this group—the term we use in the Commission for a group like this is "sophisticated"—I am sure I don't need to tell this sophisticated group what the scope and authority of the SEC is. Briefly, we are in charge of implementing and putting into effect the policies of Congress enunciated in the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940 and, finally, the Investment Advisers Act, also of 1940. We also participate in an advisory capacity under certain circumstances in corporate reorganizations under Chapter X of the Bankruptcy Act.

This is a large area of regulation. I think the first aim of the new Commission, looking at these laws, is to study and review the vast complex of regulations, precedents, forms and procedures which have grown up over these years.

One objective in undertaking this program of review and study is to find out whether and to what extent the regulatory processes which have been set up in the SEC over this long period have gone beyond the scope and intent of the basic legislation enacted by Congress. Now I don't mean to suggest that we have prejudged the question, but I think all of you in the investment banking business are aware, and, as a former practicing lawyer having to deal with SEC matters for investment banking clients, I have been aware of areas in the administration of the 1933 Act and the 1934 Act where the justification for what the SEC has required is difficult to find in the statute, and, indeed, has depended more on the philosophy of the personnel of the Commission administering the laws than upon the mandate of Congress. Some of the precedents and principles established by the Commission are not even available in published rules or reports, but are buried in interpretations in individual cases to which the public or the practicing lawyer, or the investment banker or public utility holding company executive setting up a financing plan, have no general access. For example, the only way to be sure a proposed stabilizing transaction is lawful or unlawful is to get an interpretation from our Trading and Exchange Division, even though there are many of similar transactions every year. A basic principle of the new Administration, and this seems so fundamental that I hope you won't think I am passing off a bromide on you by saying it, is that the government should be a government of laws and not of men, and we think this principle applies in all the areas regulated by the SEC.

*An address by Commissioner Armstrong before a meeting of Investment Bankers and the press, Chicago, Ill., Aug. 19, 1953.

A Policy to Encourage Initiative In Expanding the Economy

Also in our review of the regulations and forms, we have in mind implementing basic economic policy of the new Administration. In his address to the Congress on the State of the Union on Feb. 2 of this year, President Eisenhower cited as one of the "grand labors" of the new Congressional and Administration leadership the "encouragement of those incentives that inspire creative initiative in our economy so that its productivity may fortify freedom everywhere."

We have, therefore, in the short month in which the new Commissioners have been in office, inagurated studies in all of the operating divisions of the Commission and in the Regional Offices, soul-searching studies of all of the regulations, forms and techniques which were in effect when we took office. We are aware, for example, that techniques and forms used in the registration of new issues of securities under the 1933 Act have been criticized for unnecessary complexity, and the registration statement process itself has been felt to have a hampering effect upon the free flow of capital into industry. The newly constituted Commission will view sympathetically new procedures which can be developed to simplify registration statement forms, reduce, so far as the law permits, the so-called 20-day waiting period for new issues whose qualities may be deemed, broadly speaking, to partake of an investment rather than a speculative flavor, and in general simplify procedures so the legitimate financing of industry can be made more expeditious and flexible and the administration of the laws more efficient and economical.

I do not, by what I have said, mean to suggest that in streamlining registration techniques for legitimate financing of industry we propose to relax our vigilance for the types of fraud and overreaching against which the SEC was intended to protect the investor. We notice, for example, in administering the revised Regulation A for issues under $300,000 in amount, that the offering circulars coming in present much more of an opportunity for misrepresentation and fraud than the regular filings under the 1933 Act.

A Study of Federal vs. State Regulations

Another approach to problems in the securities industry which the newly constitued Commission is following is in line with the basic philosophy of the new Republican Administration which believes in the fundamental importance of government on a local level, and questions the necessity that all regulation must emanate from Washington. In short, we think there are areas which can be just as satisfactorily regulated by the states. This is particularly true where there is good and effective state regulation already in operation, as, for example, in the public utility field, where there is often overlapping jurisdiction of the state commission and the Federal Securities and Exchange Commission on matters such as the issuance of securities. The Public Utility Holding Company Act indeed, in a section that has been very little used, specifically provides for an exemption where an issue is subject to state commission jurisdiction.

An examination and study of the regulations under these laws by the Commission's staff could not in and of itself assure the success of the policy of the new Administration. We are fortunate as we start out on this task in having the support and backing volunteered to us by the principal industry associations in this work. You will be glad to know that the Commission has met in the last several weeks with the representatives of the Investment Bankers Association, the National Association of Securities Dealers, the Association of Stock Exchange Firms, the New York Stock Exchange, and others in the industry, and these organizations are expected to submit to us comprehensive suggestions for changes and improvements in the regulatory procedure. These suggestions are to be submitted within the next month, and I must impress upon you, who are in the industry, that I believe most strongly that our success in reorienting the SEC will depend to a considerable extent upon the intelligent backing and support for the program of the new Administration which we receive from the industry. If you have suggestions, please feel free to let us know what they are. They will receive careful attention and will be welcomed, and we, in turn, invite your backing and suport in this study which we are making.

A Study of Needed Legislative Changes

Now above and beyond the administrative machinery there is another study which we also propose to undertake, and this we do, not as the prime mover, but merely as a catalyst for others who have the primary responsibility. I am referring to legislative changes needed after all these years in these laws. Let me give you a very simple illustration.

The Securities Act provides in effect that no public offering of a security may be made unless a registration statement is in effect and unless at the time of the offering or at the time a sale is confirmed a copy of the prospectus is delivered to the offeree or the purchaser. A year ago a subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives held extensive and exhaustive hearings on the subject of the SEC. One of the things gone into at some length in these hearings was the matter of the use of the prospectus. A former Chairman of the Commission and a former head of the Commission's Division of Corporation Finance testified that about 80% of the new issues brought out were offered to the public by verbal offer; that is, before a copy of the prospectus was made available to the investor. If the copy of the prospectus is delivered to the investor with the confirmation of sale, it would seem that it fails to some extent in its purpose, as the prospectus is intended by the Act to give the prospective purchase facts about the issuer upon which to make up his mind before, rather than after, he has agreed to buy the security.

Another phase gone into at the hearings before the House subcommittee was the restrictive effect of the Act in not permitting an issuer or underwriter to feel out the market, so to speak, before a registration statement is effective. This lack of flexibility has led, it is felt, to the tremendous increase in the volume of securities of prime issuers sold to institutional investors outside the scope of the Act. Effective sampling of the market before an issue is brought out in many cases is not only necessary but desirable in order that the issuer and underwriter may determine with some relevance to market conditions a fair price to be paid to the issuer if it is a negotiated deal or a price which an underwriter could reasonably bid and an issuer reasonably accept in the case of a competitive bidding deal.

The desirability of another legislative change has been suggested to us by representatives of the industry. As you know, under the interpretations of the Securities Act a broker or dealer is required to deliver a prospectus with every confirmation of sale of a security within one year after there has been a public offering of such security even though the initial distribution has been completed. This bears particularly hard on issues which are traded on the exchanges and it is felt, at least by the industry representatives, that the one year's period could be shortened without endangering the public interest.

Now I don't want anybody to misunderstand what I am getting at by these observations about the Securities Act. The SEC as presently constitued believes sincerely in the principles of the Act requiring a registration statement and prospectus. I am sure these principles are approved by the public and, although it is not for a person in my position to say so, I doubt if any effort to dilute or abandon these principles would receive favorable consideration by the Congress. After all, the philosophy of making a registration statement effective and preparing and delivering a prospectus to the purchasers of new issues of securities goes to the very heart of the "truth-in-securities" technique. I don't pretend to know what the solution of these statutory problems should be, but I do know it will take the best brains of Congress, the industry and the Commission working in harness together to evolve a satisfactory solution.

In connection with the Administration's legislative program, as it may emerge, we are fortunate in having two very fine Committees of Congress paying particular heed to the problems of the Commission. The first is a subcommittee, headed by Senator Bush of Connecticut, of the Senate Committee on Banking and Currency, which in turn is under the able leadership of Senator Capehart of Indiana. The second is the House Committee on Interstate and Foreign Commerce of which Congressman Wolverton of New Jersey is Chairman. Both of these Congressional Committees have had long experience in considering problems affecting the SEC and some of the studies which the new Commission is inaugurating now were suggested

Continued on page 26

Federal Electric Power

By HON. DOUGLAS McKAY*
Secretary of the Interior

Secretary McKay, asserting there is much misinformation and many misunderstandings as to the Federal Government's plans and policies regarding its electric power operations, explains recently announced new policy on this subject. Says Federal Government now operates only 11½% of electric generating capacity, with little likelihood of substantial increase. Asserts he is determined not to make power rates so low as to violate sound business principles. Scores monopoly in any form, whether by private interests or by government.

Much has been said and undoubtedly much more will be said about how the Department of the Interior plans, generates, transmits and sells electric energy. There is much misinformation and many misunderstandings on this matter, and I hope that I may be able to make our position clear.

Douglas McKay

I am particularly anxious to discuss this subject because our policy was released to the press and the public early this week. It was concurred in by the President and by the members of his Cabinet and I can assure you that it is the result of a great deal of serious and deliberate consideration.

This is our power policy and this is the only power policy of the Department of the Interior.

Need for Power Policy

Perhaps I should first give you some idea as to why the Department of the Interior must have a power policy. A large number of our reclamation dams have power generating facilities. Ordinarily this is a sort of byproduct and incidental to providing irrigation water for agricultural purposes. We generate power at Shasta Dam, at Hoover Dam, Grand Coulee Dam, the Colorado-Big Thompson project and many others throughout the western United States.

In addition, the Congress has made the Department of the Interior the marketing agent for all power generated at dams built by the Corps of Army Engineers. Under this authority we sell power generated at Bonneville Dam on the Columbia River, at the Fort Peck Dam on the Missouri and other projects throughout the whole United States.

Sometimes when this subject is discussed there is an impression created that the Federal Government is the largest generator of power in the country and that other public bodies and private utilities are of little consequence. This is far from the truth. Actually, the Federal Government today has an installed generating capacity at its various plants of approximately 9,800,000 kw. This is only 11½% of all the generating capacity in the United States. There is another 10,700,000 kw. of Federal capacity under construction and by 1955 it is estimated the proportion of Federal generation to total generation in the country will be about 15%.

It should be borne in mind that included in these Federal figures is the Tennessee Valley Authority, for which the Department of the Interior has no responsibility. Thus it can be seen that we are talking about a very small proportion of the power in the United States.

*An address by Secretary McKay at Luncheon Meeting of the Commonwealth Club, San Francisco, Calif., Aug. 21, 1953.

However, the policy of the Department of the Interior in planning, generating, distributing and marketing this block of power is important to the country. Too frequently in the past the marketing of power has been accompanied by propagandizing. With this we do not agree. We believe that this power should be marketed for the benefit of all the people of the country. It should not be marketed for the benefit of a chosen few nor at the expense of the taxpayers.

To be more specific, I want to assure you the Department of the Interior will continue, so long as I am Secretary, to actively plan and to recommend construction of reclamation facilities. It will include in these plans facilities for generating electric energy whenever economically feasible and justified. We will also plan single purpose projects that are necessary for the economy of any part of the country and which can not be provided by local, public or private enterprise.

Will Not Oppose Private Power

We recognize the primary responsibility for supplying power needs for any area rests with the people locally. It is our responsibility as an agency of the Federal Government to give leadership and to give assistance in the conservation and wise utilization of our natural resources.

We do not assume that we have the exclusive right or responsibility for the construction of dams or the generation, transmission and sale of electric energy in any area, in any basin or in any region. We will not oppose the construction of any power facilities that local interests, either public or private, are willing and able to provide when these facilities are in accord with the best development of the natural resources of the area.

I would like to reiterate, as I have many times in the past, that the Department of the Interior is but one of several partners, interested and responsible for the full development of the natural resources of the country. We are a partner along with the States and local communities and private citizens. No one of these partners, least of all the Federal Government, should have a monopoly in the development of these resources. In fact, the task to be accomplished is so tremendous that it will require the active and cooperative efforts of all of us if the nation is to be kept abreast of its needs.

What, if any, transmission lines should the Department of the Interior build? On the one hand, there is a strong feeling that all power generated at Government plants should be sold at the point of generation—at the bus bar. This is the very successful practice that has been followed at Hoover Dam. Here the public and private power interests build their own transmission lines without aid or assistance from the Federal Government.

Attitude on Transmission Lines

A more aggressive policy advocated by others would have the Federal Government build a vast system of transmission lines, not only tying together several generating plants with high voltage lines but also extending high and intermediate transmission lines to miscellaneous load centers ranging up to several hundred miles from the point of generation. It is my belief and it is in keeping with our policy that we should go down the middle of the road. I firmly believe, in the interest of efficient, businesslike operation of the generating plants, the Federal Government should ordinarily provide the interconnecting transmission lines between any group of plants that are designed to operate together. This is sound engineering and provides for proper integration.

In addition, it will be the policy of the Department of the Interior to provide primary transmission lines to carry power generated at Federal plants to load centers within economic transmission distances unless other agencies, either public or private, have provided or will provide these transmission facilities and make them available for delivery of Federal power at a reasonable cost. The Department will not favor building any duplicate facilities where this can be possibly be avoided.

In the Reclamation Act of 1906, the first of the Reclamation Acts which deals with power, the Secretary was directed to dispose of such power, "giving preference to municipal purposes." Later, this was extended to "municipalities and other public corporations or agencies," but in recent years the various power acts under which the Department operates provide that the project shall be operated "for the benefit of the general public, and particularly of domestic and rural consumers," giving preference and priority to public bodies and cooperatives; and in the Flood Control Acts, in which this Department is the marketing agent of power generated at flood control dams, the Secretary is directed to "dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers, consistent with sound business principles."

Sale of Federal Power

In an endeavor to give full effect to these directives of the Congress, we will contract to dispose of Federal power for the benefit of the general public, and particularly of domestic and rural consumers. In doing so, we will give preference and priority to public bodies and cooperatives located within economic transmission distances of the generating plant.

There are many of these throughout the country. Any power we may have after providing for the service of domestic and rural customers through these preferred agencies will be made available to other utilities serving domestic and rural consumers, which are located within economic transmission distance of the generating plants. Ordinarily, the Department will not undertake to dispose of power directly to large industrial consumers, but we will protect their existing contracts, and their renewal when not in conflict with preference customers.

In the interest of protecting the domestic and rural customers, in which the Federal law is so specific, the Department will look with disfavor on any proposal whereby a large industrial consumer of electric energy may seek to obtain Federal power through any of our preference customers if this will have the effect of denying power to any group of household or farm users. It is quite possible, of course, the demands of national defense may make it advisable to deviate from these principles and certainly, when this is an issue, we will act in the national interest.

Undoubtedly, many of the contracts which have been made in the past to supply energy to big industrial consumers, as for example, aluminum reduction plants, have been necessary to strengthen our defense. We have no intention of cancelling these contracts; in fact we believe that, to preserve the sound economy of the regions involved, these contracts may be extended and even expanded from time to time. Certainly, we propose no arbitrary action that will cause any consequential damage either to the industries involved or to the economy of the area in which these industries are located.

Will Follow Sound Business Principles

I am very determined the Department of the Interior shall sell its electric power at rates which are as low as possible but which do not violate sound business principles. The Department's rate schedules should provide adequately for the cost of producing and transmitting the energy and return to the Treasury the capital investment in all of the facilities together with interest over a period of not more than 50 years. In many instances, a part of the cost of reclamation projects is being paid for by excess revenue from power. This is a sound principle and will be continued.

I firmly believe the rates for which we sell electricity should be reviewed at relatively frequent intervals and certainly not less than every five years. There is a constant growth in our program and there will continue to be. New generating plants and transmission lines are brought into operation and costs of maintenance and operation of the systems are constantly fluctuating. It is only good business and certainly it is standard operating procedure for other utilities to review their rates at frequent intervals. I believe this should be our policy and I propose to follow it.

In the past the Department of the Interior, in negotiating contracts for the sale of electric energy, has in most cases insisted upon elaborate contract provisions for the control by this Department of the resale rates of agencies purchasing the energy. Especially as applied to public agencies, municipalities and cooperative organizations which operate on a non-profit basis and for the benefit of their users, and whose rates and operating principles are fixed by the laws of the States, these provisions have proven onerous and distasteful. Furthermore, if literally enforced, they would constitute the Department of the Interior as a rate regulatory agency, above and superior to the public officials managing these districts, and frequently above and superior to the laws of the States themselves.

It is desirable that Federal energy should be resold at rates which are reasonable and non-discriminatory, but we see little reason to presume that the Department of the Interior is better equipped to maintain this standard than are the officers and managers of other public agencies. Therefore, the Department will not hereafter insist on controlling the retail rates of power which it sells to public bodies and cooperatives. It will be assumed that local governmental agencies are as fully competent to determine the resale rates for electric energy as is the Department of the Interior.

In cases where the Department makes contracts with privately owned utilities, a clause will be included to safeguard the interests of the customers of these utilities. Ordinarily, we will presume that the regulatory bodies of the States concerned will adequately protect the customers of these utilities, but it is conceivable that, in some instances, there may not be adequate regulation. In that event we want some recourse to avoid excessive resale rates.

I assure you, that in the months to come, we will follow these principles. In fact, we have already taken some important steps toward that end. For example, we have recommended the construction of a combination irrigation, domestic water supply and hydroelectric project in Colorado. This is known as the Arkansas-Fryingpan project. I cite this simply to give you assurance of our active interest in sound reclamation and power projects. Another example is the recent award of a contract in excess of $7,000,000 for the construction of the Monticello Dam which is in your own backyard. We will also start the construction of the Sacramento canals in the very near future. We are interested and we will continue to be interested in a sound reclamation program and the power generating facilities which are a part of that program.

The Hells Canyon Project

Another instance of an application of our power policy is our action in connection with the proposed Hells Canyon project on the Snake River on the boundary between Oregon and Idaho. There has been much misunderstanding of our position in this matter and I would like to clarify it. Here we have a private utility seeking a permit from the Federal Power Commission to build a series of three dams on a stretch of the Snake River.

The FPC is hearing the proposal of the private utility and it is the Commission's responsibility to determine whether the proposal of the utility company will apppropriately develop the resources. If not, the Commission has the legal responsibility to deny the application. In its investigation of the application, the Commission customarily seeks the advice and assistance of the other branches of the Federal Government, such as the Corps of Army Engineers, the the Bureau of Reclamation and others. This has been a procedure established by law and by experience over a long period of years.

Only in recent years has a philosophy crept into the Department of the Interior that the Federal Government has the exclusive right to develop the water resources of the country. In three recent instances, the Department has appeared before the FPC protesting the issuance of any license. The Department objected before the Power Commission to the issuance of a license to the Virginia Electric and Power Company for a dam on the Roanoke River. This case was carried to the Supreme Court of the United States and the right of the Federal Power Commission was upheld.

The Department of the Interior also protested the development of the hydroelectric resources of the Kings River, here in California, by agencies other than the Federal Government. Here again, it was overruled by the Federal Power Commission.

In November 1949, nearly four years ago, the Commission granted a license to the Pacific Gas and Electric Company to construct a series of hydroelectric plants on the North Fork of the Kings River. It also granted a permit to a cooperative group of irrigation districts to investigate the possibility of building a power plant on the lower river, below Pine Flat Dam, which made the power development of the river feasible.

This dam is now nearing completion by the Army Corps of Engineers as a flood control and irrigation structure but the power development has been held up while a protest initiated in the former Administration is argued in the courts.

Look what happens when one Department of the government intervenes. The case drags out in court which must have months or years to consider the testimony. In the meantime the area goes without vitally needed electric power.

Disagrees With Predecessor

In the case of Hells Canyon, which has been so recently publicized, I inherited from my predecessor a situation with which I did not agree. I found we were protesting the right of the Federal Power Commission to issue a license to a public utility, and we offered instead a plan which our Bureau of Reclamation had developed but which Congress had specifically failed to approve on two occasions. We do not even have a Congressional authorization to construct a project at Hells Canyon and obviously very little chance of obtaining the necessary hundreds of millions of dollars to build such a project in the near future even if it were authorized. Under these circumstances, the Department simply withdrew itself as a protestant before the Federal Power Commission. We are continuing to furnish the FPC with every bit of information at our disposal. We are withholding nothing. We are simply recognizing the Commission as a legally constituted judge in the matter. This is particularly true when you realize that one Congress specifically denied the right of the Department of the Interior to proceed with this project and another Congress failed to act when the matter was before it.

We are vitally interested in the ultimate sound development of the natural resources of this country, but we do believe that it is a task to be performed by the Federal Government, States, local public agencies and private citizens all working together. We hope to be a constructive participating member of this partnership.

Opposes Monopoly in Any Form

I do not like monopoly in any form, whether it be a monopoly of individuals, of corporations or of the Federal Government. Cooperation and competition are the principles which have expanded America to its present tremendous potential. The Federal Government, the States, local agencies and private capital can all be utilized in a comprehensive plan to make America still stronger. We do not assert on behalf of the Interior Department all wisdom as to America's future. We want to make our contribution and in our proper sphere and to do those things which need to be done which others cannot do.

Sidney B. Hook With Gross, Rogers Firm

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sidney B. Hook has become associated with Gross, Rogers, Barbour Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Hook who has been in the investment business for many years was formerly with J. A. Hogle & Co. and Turner-Poindexter & Co. Prior thereto he conducted his own investment business and was an officer of First California Company.

Shearson, Hammill Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Justin S. Federman has become connected with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. He was formerly with Hemphill, Noyes & Co.

With Sutro & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harold Greenspan has been added to the staff of Sutro & Co., Van Nuys Building.

Under Gold Coinage, Is Gold Just Another Commodity?

By ALDEN A. POTTER
Bethesda, Md.

Mr. Potter, in commenting on views whether gold is "just another commodity," holds coined metal is not "just another commodity," but is tied in with the money supply, and its value is affected by the volume of bank credit and banking practices. Holds gold can be coined and kept in circulation only if bank credit can be controlled in its supply. Advocates use of a "food price" index, in place of a general commodity price index, in measuring value of money.

Familiarity with the marketing of the precious metals under the price-fixing procedures of the world's leading governments enables Mr. Hebert Bratter to "keep his feet on the ground" in the articles he has contributed to the columns of the "Commercial and Financial Chronicle." In his recent advocacy of gold coinage (July 16) he does not base his plea on any illusory theory of a "value standard" for "sound money." His remarks therefore raise the question, if gold be coined again will it still be "just another commodity" as held by Charles E. Wilson in his epic Saginaw address?

Alden A. Potter

The whole point to the Wilson view is that no commodity has any numerically fixed value. None, therefore, can be selected and coined by weight as a "standard of value." This has behind it a profund mathematical truth, to wit, that no cardinal use of numbers can have any meaning that is not given to it intentionally, in much the same way that words acquire meaning, except that in the case of money and prices a social and political function (the law) is requisite.

In physics numbers may be "dimensionless" in use, that is, have no relation to size, in describing relations between the elements of nature. Such relations are often surds, like *pi*. Even *pi*, however, could be taken as .3183 instead of 3.1416; that is, it could be the ratio between the radius and circumference of a circle instead of the reverse. If 4.1888 were called *pi* it would still designate the same basic geometrical proportion in centered spatial relations, in this case the ratio between the volume of a sphere and the cube of its radius. The point is that size relations are not fixed in terms of number naturally; an arbitrary choice is involved in determining usage. Thus the densities of the elements (gold, for example), i. e., the ratio between their measured spatial and material content, like any other physical "constants," are numerically fixed only by the antecedent choices as to units employed in the several measurements made to get the ratio into numerical terms for the records of science.

The density of gold is a *natural* fact; but its numerical expression is a "fact" *un*naturally, i.e., artificially, determined. The Bureau of Standards, in its primary function, is by law authorized to standardize means for determining the accuracy of measurements in science, commerce and industry. None of these determinants of physical quantity, however, can be made to define the economic value relations of trade since these are biological, i. e., not purely physical, in determination; and biological competition, involving the uncertainities of innovation (and obsolescence) is the ineluctable, natural fact of this evolutionary process of development and extinction even (if not especially!) in the evolution of human civilization. It does not follow, however, that there can be no physical constant upon which to base valuations which are not merely those of physics but involve strategic devices.

As Mr. Wilson reiterated in his article in the "Reader's Digest," price in general is determined by the quantity of money and not by the relations between the values of different commodities (including gold). His reasoning was directed toward a defense of the escalator clause (in the GM-CIO wage contract) against the charge that because it promotes rising costs (chief of which is the wage bill) it gives aid and comfort to the "spiral of inflation." Were this true, the spiral of deflation, which can be induced by a "tight money" policy, would be as readily aided—if not more so. The "tight money" which the Administration has attempted to implement, pursuing the GOP platform, has been in accord with this truly constitutional idea that the Federal Government has *exclusive* responsibility for the "value" of money, i. e., its purchasing power, plus the proposition that that responsibility can only be fulfilled by controlling its supply.

Mr. Bratter makes it quite clear that there is no possiblity of relying on a "gold standard" in fulfilling this function; fiscal and monetary means can never be eliminated. Basic to this effort at stability in prices is a nationwide, or even a worldwide, control of the money supply such as cannot be relegated to gold mining, marketing, and hoarding in a *laissez faire* policy of the type set forth by Adam Smith as an "unseen hand"; as Ricardo pointed out, Smith was inconsistent on money supply and money value. Thus the "hidden hand" of money supply is, indeed, unseen not only by the "man on the street" but also by supposed students of the subject. So when elected to Congress such persons forthwith seek a hand that they *can* see. that is, governmental price and wage "supports" against "chiselers" who depress prices to "cutthroat" levels (remember NRA days?), and price and wage "freezes" and OPA-OPS "police power" against "profiteers" who "rob the consumer" with inflated prices and profits. It is, however, impossible that the hand of an NRA or OPA, or the gold (or silver or copper or what-have-you) miner and his costs (as Karl Marx also believed) can ever displace the fine hand of the money supplier in determining price levels.

Illusion of Coinage

The illusion involved has arisen from coinage. Isaac Newton, one of the "great" mathematicians of history, failed to correct this aberration in cardinal usage of numbers when he served as Director of the British Mint and headed the Recoinage Commission. For *coined* metal is not "just another commodity." It is tied in with the money supply. If that supply is inflated, or deflated, by banking practice (as in Federal Reserve "credit control"), the goods and services which the coins will purchase decrease, or increase, accordingly; but the *relative* value of the metal (uncoined bullion) remains the same, i. e., its price rises because it *is* "just another commodity." In other words, the coins, *as money*, will buy less or more of the metal they are made of according as the money supply is excessive or deficient (a sum which is obviously not a fixed quantity).

Clearly, with sufficiently serious inflation (which today is due not to printing-press bills but to fountain-pen ills in bank credit), coinage can be traded for so much more food as metal than it can bring as coins that it will not stay in circulation but, if the state tries to enforce contracts to pay in "legal tender" (as by the "gold clause"), coinage will be driven out of use by "Gresham's Law." It will be melted down or used where it can be traded for its metal value—or not used at all, i. e., hoarded, and hoarded more and more as "cheap money" (credit money) declines in value.

On the other hand, in deflation, as bullion falls in price, i. e., in the number of coins it takes to buy an ounce, minting the coins becomes increasingly profitable because so many more coins can be struck from a given weight of metal than the metal costs in coins already in circulation. Driven by the unemployment produced by such a depression in money supply, counterfeiting develops, not in the use of base metals which are easily detected, but in the pure, precious metals. Some such coins were privately struck in silver, I believe, back in the days of the depressed thirties. They may have helped, in a very small way, to cure the depression which, however, was effectively remedied only by another World War splurge in public spending of deficits (filled by bank loans).

"Free" coinage is an attempt to make private enterprise in minting legitimate. The owners of metal may "freely" choose to bring it to the public mint for coinage at cost, as against selling it for other use. This, however, only makes speculation in "hot money" a certainty. Since the cost of minting is no greater per coin for the very scarce or "precious" metals, they are more liable to speculative dealing by "money-changers" because the seignorage margin is varied so much more by shifting costs of mining due to price level changes. For this reason gold teeters on the verge of being useless in coinage, for coins are useful only if they circulate freely. Like an abacus, coinage is a counting device for "making change" which is of no use when kept under lock and key; why fabricate such a mere mechanism out of gold? Large denominations are neither needed nor feasible in coinage.

Fixing Prices

If gold could be cheapened (technologically) and money stabilized (by rational laws) it might be feasible to coin gold again as a way to unearth the now useless Kentucky hoard. Meanwhile gold is "just another commodity" serving only to perpetuate the illusion that price can be fixed by government fiat and/or subsidy. Like other price "supports" it gives a temporary illusion of stability which turns out to be a dilemma for the public treasury. In this case the illusion can be maintained and the dilemma sustained longer because, in contrast with food supplies, gold is not perishable or of much real value *in toto;* nobody has to have any of it to live, not even as a "trace element."

It follows that gold can be coined and kept in circulation only if bank credit can be so controlled in its supply as to prevent rising or falling prices. That the "authorities" here and abroad do not know how to do this is perfectly obvious; witness such informed criticism of "tight money" as that offered by Marriner Eccles at Stanford ("Commercial and Financial Chronicle," July 30, p. 7). We need money that is tight, but not too tight. Such an equilibrium depends on the money supply, but not on that alone. The means by which money is added to or removed from circulation is not only a moral problem in the theory of usury, but also a critical factor in making the price system work dependably.

As long as we persist in thinking of money as representing specific goods in commerce (because it is "secured" by "collateral" when it is issued through bank "loans") we blindly burn down the house (destroy commerce and industry) to get rid of the rats (of inflation). What could be more obvious than such a result from the "qualitative" regulations of "consumer credit" by the Federal Reserve Board? Withdraw credit by decree from financing automobile purchases and the market for cars, old and new, collapses. Withdraw credit in general, by "tight money" in the relation between banking and the public debt, and the whole economy goes into the doldrums. The GOP should have been perspicacious enough to have taken the hint from the result of the "Treasury-Reserve Accord" at its inception under the Democratic Donkey; but no, they had to try it for themselves with a naivete that has taken its punishment in the last-minute furore over raising the public debt limit to balance the budget! Can this problem ever be solved by such a process of "trial and error"? Can any of the mess over Communism versus capitalism be so resolved? Never! In such a "long run" experiment in "social science" we shall, as Lord Keynes

Continued on page 28

Income Stocks

By KENNETH V. BERRY*

Security Analyst, Babson's Reports, Wellesley Hills, Mass.

Mr. Berry, in pointing out sacrifices that must be made by investor seeking stocks offering good yield, suggests as conservative grade stocks that offer good income: Corn Products Refining, F. W. Woolworth, United Shoe Machinery, Pullman, Inc., Greyhound, Curtis-Wright Class A, American Crystal Sugar, American Machine & Foundry, Virginian Ry. Co. 6% Preferred, Columbia Pictures Corp., and Houdaille-Hershey Corp.

We all start each day with certain assumptions. First of all we naturally assume that we will live the day out. The more optimistically minded of us will go further than that and assume we will be around a year from today. I feel confident that you are all optimists and are looking forward to cashing nice fat dividend checks a year from now. I am glad to have the opportunity to give you a few suggestions of issues we at "Babson's Reports" have recommended and continue to hold in high regard for income purposes.

Kenneth V. Berry

Before I mention these issues I would like to preface my list with a few remarks covering certain important considerations that must be made by anyone interested primarily in income from their investment funds. Perhaps there are some of you, who like myself are finding it desirable, because of rising costs and other considerations, to seek greater income from your investment funds.

A beautiful young lady all during her college career went steady with the campus leading athlete. Upon graduation much to everyone's surprise she up and married a stoutish, balding millionaire nearly three times her senior. Upon being queried as to why she had made such a drastic change, she replied "I have repeatedly heard that one must make sacrifices for income."

Sacrifices for Higher Yields

The point I would like to make is that if you reach out for much higher than average yield you will probably be giving up or sacrificing some other desirable point. I am thinking now of three possible sacrifices.

First: In reaching for current high income you may be expected to sacrifice the possibility of increasing your income at a later date. We have had a long period of prosperity. Earnings and dividends have been for the most part exceedingly gratifying since 1938. But I am sure you will agree with me that at some future date most stocks that are now paying liberal dividends and selling quite high will be paying less and selling much lower. If you are not likely to be forced to sell them during a depression period, price and variability need not necessarily be a serious matter. However, you must recognize that, if you go overboard and place all of your free funds in high income stocks now, you will lose the opportunity later, when stocks are depressed, of buying issues on which the yield will be even more liberal than at present.

When I began work at Babson's early in 1946, Pennsylvania Railroad was selling around 45 and had paid $2.50 the previous year. Based on previous 12 month's dividend the yield was 5½% which wasn't bad for a well regarded stock. Pennsylvania Railroad has had an unbroken dividend record since 1848, but where is it selling today? At 20 and probably paying $1.50. If one had bought 100 shares of Pennsylvania Railroad in 1946, the investment of $4,500 would be returning $150 or a 3.3%, whereas the stock can be bought today to yield 7½%. In other words, $4,500 could purchase 225 shares now to return $337.50 in dividends instead of $150. If some happy day the $2.50 dividend should be reinstated then it would mean $562.50 or 12½% on the depressed price instead of 7½% currently.

Second: If you insist upon liberal income at this stage of the market for most stocks, you must expect to sacrifice stability of principal. We realize of course that there are many whose circumstances and limited funds require a higher level of income than our current program of setting aside 70% in fixed income and semi-stable securities allows them. We realize also that many are quite satisfied year in and year out if they can have continuous adequate income from their security holdings. Fluctuations in the market prices of their stocks are not of first importance to this special group. They do not object to holding thru a period of declining valuations of their portfolios if they can avoid sharp shrinkage of annual income. They usually have been seasoned thru previous experience to the fact that any sizable decline in the stock market must be accompanied by a shrinkage in the total of their estate values. Their hope is that although the principal values are written down, income values will be reasonably maintained. We have long recognized that this desire for stressing income involves a special danger. Experience shows that the higher the immediate income sought, the greater the risk of principal loss. We are great believers that continuity of income is far more important than its mere size.

There is another point with regard to common stocks about which I should like to caution you. Do not allow yourself to be lulled into a false sense of security that might have accrued from watching the upward trend of stock market prices during the past decade. There are many people who have forgotten that there is another direction that the stock market can take besides up and sidewise. Remember too that some dividends have been very liberal during these past years and those are also subject to reduction. Whenever we have had a business depression (note the red areas on our Babsonchart) common stocks have sold considerably lower than during the previous period of prosperity. So I emphasize once again that you must prepare yourself now for price variations later on in that portion of your security account which is held primarily for liberal income.

Third: Unusually high dividends on specific stocks frequently, although not always, imply weakness in those particular securities. Take the case of American Woolen which earned $21.05 in 1946, sold at a high of $70 and paid $12 in dividends or 17%. To some novices this looked good for income at the time; and earnings were $15.37 in 1947 and $15.92 in 1948 and though dividends were reduced to $10 and then $8 respectively the income was still high at 14.3% and 11.4%. But notice that when the dividend was reduced from $12 to $10 the stock dropped to $40 and when $8 was paid the stock dropped further to $34. At the end of 1948 then the yield was still high on the original purchase price of $70 but note that the principal amount had declined over 50%. Today American Woolen sells at 17 and no dividend has been paid the last two years. This is a drastic case but illustrates my third point of sacrifice.

Now then, you may well ask me "What am I to do if I need and am dependent upon better than average income?" The first thing you must do is make up your mind what it is you choose to sacrifice. If it is enlarged income later on, or safety, or appreciation, you must face the issue squarely and be prepared to accept the costs. Otherwise you should follow our flexible program which is 70% reserve (35% bank and savings and loan deposits, savings bonds or short-term governments and 35% fixed income bonds and preferreds)—30% stocks.

Your presence here this afternoon indicates you are interested in income stocks. These I am going to discuss briefly in four parts. Remember these are primarily for income.

The following three common stocks are suggestions for conservative grade issues with demonstrated good earning power even under severe depression conditions, of unquestioned financial strength.

Corn Products Refining: This leader in its field stands head and shoulders above its nearest competition. You ladies know it as Mazola Salad Oil, Karo Corn Syrup and Kre-Mel Pudding. Expansion of new products is brisk. Now, novel items (Zein, protein derivative used in manufacture of synthetic fibers; Glucuronolactone, for arthritis; Inositol, for arteriosclerosis) are ready for commercial production. On the basis of past performance the new business being generated should mean greater profits. This company not only has never reported a deficit, but it has one of the most impressive profit margins in the country's food industry. The common is preceded only by 245,730 shares of ultra-conservative non-callable 7% preferred stock which has never been burdensome in modern times. Company has enjoyed favorable corn harvest and reasonable prices this year. First half results were up sharply and we have estimated this year's earnings around $5.30 a share. This is one of those rare issues which a good many investors owning it seem not concerned with its market price action. History has shown the dividend policy to be quite liberal on the average over the years, more so when earnings are lower and more conservative during boom periods. This is a depression tested issue and noted for its market price stability. Stock may be comfortably held for income. Yield at current price of 72 is 5%.

F. W. Woolworth: This 5c to $50 variety chain's sales are running at about the same rate as last year's record performance. Profit margin is expected to show some gain however from store improvement and expansion programs. Expect a slight gain in earnings to at least $3.50. Dividend rate of $2.50 looks safe for some time to come. English subsidiary (52.7% owned) is larger than most people realize with about 30% as many stores as are on this side of the Atlantic. It is hoped that more income can "come home" from this investment soon. This issue has not participated in the stock market's general rise or more specifically in the rise its own field has enjoyed during the last five years. Longer term outlook is for further gains. At current price of 45 this issue yields 5½%. Another depression tested issue with dividend record unbroken since 1912.

United Shoe Machinery: About 9 out of 10 shoemakers lease or buy some of the 250 types of machinery manufactured by this company and outlook for the shoe industry is good for this year. Management has developed activities and markets outside the shoe industry that could add to operating stability. Eyelets for instance are sold to TV, automobile and other industries. Industrial supply lines similar in type to those used for shoe making are being pushed. Some 30 plants around the country are adaptable to defense work. Outlook for this company is much better than it has been for some time. Long suffering from the squeeze of rising costs, materials, wages and development expense, some relief is at hand from higher rates charged for its leases, with more help on the way. Financial condition of this company is strong despite generous payment of earnings in recent years. We look for earnings of over $3.00 and expect that the $2.50 dividend will be continued unless it becomes stylish to go barefoot. Market price of 40 is a long way below the 1946 high of 84⅞—yield 6.2% Depressed price over-discounts temporary disadvantages, like anti-trust suit, which we feel are being overemphasized marketwise.

The next three issues are of a lighter blue shade of chips—average grade. They are somewhat more susceptible to variations in market prices and to a lesser extent in dividends also. The risk element is a mite more, so to speak, but so is the yield.

Pullman Inc.: This holding company's main interest is in Pullman-Standard Car Manufacturing Co., the world's largest manufacturer of railroad freight and passenger cars. In late years company has diversified into other lines such as earth moving equipment, trailer trucks, metal fabrication for buildings, etc. Another subsidiary, M. W. Kellogg Co., is recognized as a leader in fluorocarbon plastics which is rapidly becoming an important segment of Pullman's business. Earnings may be up 10-15% this year over last, to garner at least $5 per share. Despite adjustments which eventually must be made when huge military business is cut back future outlook is good. Exceptionally strong finances—net working capital per share as of June 30, 1953 was equivalent to $50 per share, more than the stock is currently selling for at $39. Yield is generous at 7.6%. Dividends have been paid since 1867.

Greyhound: This stock has done little either earningswise or marketwise during the past several years. It has, however, provided a nice income during this time. 1953 earnings are better. At its present rate results will quite likely be between $1.35-$1.40 giving comfortable margin of coverage to the $1 dividend maintained during the past five years. The world's largest carrier of intercity passengers has expanded its operations by numerous acquisitions of other companies in the field. Further earnings improvement could come from raising low rates which have considerable leeway in comparison to other modes of travel. At its current price of 13½ the yield is 7.4%. More people travel by bus during depressions than by other more costly methods.

Curtiss-Wright Class A (non-cum.): More than one-half of this company's business is normally military, during the war and recent defense program, of course, the military portion becomes highly magnified. Unfilled orders and letters of contract as of June 30, 1953 totaled over $1,050 million vs $950 million a year ago. The Class A is attractive for income and the $2 dividend should be well covered. Though the stock is non-cumulative, in 1947 when a deficit of $1.43 was recorded for the Class A, the dividend of $2 was paid just the same. Considering the very strong financial condition of the company (no funded debt and excellent working capital position) we would rather hold the Class A than the common; the latter's recent years' dividends of $1 were mainly a return of capital as the dividends were only partially earned. Current yield at very reasonable price of 24¾ for the stock is 8.1%.

For those of you desiring greater stability of principal while sacrificing some income, as compared to the previous common stocks, we suggest the purchase of the following conservative grade issues which provide fair income.

American Crystal Sugar: The company is one of the leading producers of beet sugar in this country with a good performance record. Its 4½% Cumulative Preferred $100 par issue is small, only 58,969 shares and dividend requirements have always been comfortably covered by the company's earning power. Currently selling at $90, it yields 5%. Call price is 105.

American Machine & Foundry: Another leader in American industry specializing in automatic and semi-automatic machinery for wide assortment of other industries, gained its good reputation early in specializing in machinery used in making and packaging tobacco products. Serves food and packaging industries also among others. In recent years company has had to devote a large part of its activity to the defense program for which it has heavy backlog of orders. While growth and operations are accustomed to variations the preferred dividend is well cared for. We like the 3.9% Cumulative Preferred $100 par. At its current price of 82 it affords a yield of 4¾%. Call price is $106 through 7/15/54 then lower.

Virginian Ry. Co. 6% Cumulative Preferred $25 Par: This is our third suggestion for the better grade income preferreds. This road while small has had a long record of good earnings. A unique feature of this road is the benefit it derives from the "gravity" feature of its operations. With its favorable producing areas located in the mountains and with a larger proportion of its tonnage moving to the seaboard, the Virginian has exploited physical characteristics by electrifying 135 miles of its main line between Mullens, West Virginia and Roanoke, Virginia. It is reported that the electricity generated by two loaded trains descending the grade can put back into the line enough power to haul one loaded train of similar size back up over the grade. It is further said that this electrification saves the company nearly 50% per gross ton mile in hauling costs. In addition, there is a saving of brake shoes, since the braking effect due to the generation of electricity tends to prevent gravity thrust on the downgrade. Outlook for this stock is satisfactory and at current price of 27 it provides a yield of 5½%. It is non-callable.

The next and last three preferred issues are suggestions for average grade situations furnishing higher yield but containing also a higher element of risk stockmarketwise than the preceding preferreds. We do feel, how-

*A talk by Mr. Berry at the Annual Babson Summer Business Conferences, New Boston, N. H., Aug. 25, 1953.

ever, the dividend payments are safe.

Columbia Pictures Corp.: Considered one of the strongest of the independent motion picture producers, Columbia's earnings have varied but in most years have been satisfactory and company apparently is holding its own in recent competitive struggle. For those prepared to reach out for income, the $4.25 Cumulative Preferred stock of this company selling at 63 yields 6.7%. Stock is callable at 107 through 1/14/56, lower thereafter.

Houdaille-Hersey Corp.: Manufacturer of shock absorbers and bumpers and parts for refrigerators, aircraft, railroad and other industries. Financial condition excellent. Operations consistently profitable the results variable as is the industry. The $2.25 Cumulative Preferred stock is well protected by earnings and is convertible into 1⅔ shares of common through 9/1/55, expiration date. The conversion feature is of no value at current prices, but with the preferred selling at 34 a yield of 6.6% is available. Call price of $51.25 stands until 9/1/55 then less. Replacement business an important factor also.

The $2.80 Cumulative Preferred stock ($50 par) of **Truax Traer Coal Co.**, a relatively low-cost, highly mechanized well-integrated producer of bituminous coal looks attractive to us at its current price of 45; yield 6.2%. This issue is convertible into two shares of common at any time unless called. While the conversion feature has no current value its potential appears to be greater than that of the previous issue. This company is well equipped to withstand the trials and tribulations at times common to this industry, than are most others in it. Earnings outlook satisfactory.

German Dollar Bond Validation Details

Douglas W. Hartman and Dr. Walther Reusch, U. S. and German members, respectively, of Validation Board for German Dollar Bonds, announce that holders of these issues will be able to take steps to have their bonds validated beginning Sept. 1. Official notice in this issue on page 18.

According to an announcement made Aug. 26 by Douglas W. Hartman and Dr. Walther Reusch, United States and German mem-

Douglas W. Hartman Dr. Walther Reusch

bers respectively of the Validation Board For German Dollar Bonds, 30 Broad Street, Suite 3601, New York 4, N. Y., effective Sept. 1, 1953 holders of German *Dollar* Bonds will be able to take steps to have their bonds validated.

It is estimated that some $350,000,000 par value of German Dollar Bonds are eligible to be validated, and that about 100,000 persons in the United States are owners of the 92 separate bond issues which the Validation Board will now review. Validation procedure is necessary because an additional amount of $350,000,000 of German Dollar Bonds which had been repurchased for retirement, disappeared after the Soviets occupied Berlin in 1945 and began reappearing thereafter on international securities markets.

The Board invites the holders of German Dollar Bonds to take the following steps for the validation of their securities:

(1) Registration forms should be obtained from a bank, broker or securities dealer, the depositary Banks mentioned hereafter, or from the Validation Board, 30 Broad Street, Suite 3601, New York 4, N. Y.

(2) Bonds should, together with registration forms properly filled out and executed, be mailed or delivered to the appropriate Depositary in New York City by Aug. 31, 1954. In case of the Dawes Loan, Young Loan and Free State of Prussia Bonds, the depositary is J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, N. Y. All other bond issues affected by the validation procedure should be sent to The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, New York.

It should be clearly understood that bonds subject to validation which are *not* validated will not benefit from service to be resumed under the terms of the London Debt Agreement on German External Debts, and will not be eligible for trading on securities markets which will readmit them once a sufficient amount has been validated.

Mr. Hartman and Dr. Reusch explained that the Validation Board in New York deals only with the validation of German *Dollar* Bonds for which the United States is the country of offering and which physically were outside of Germany and certain German held territories on Jan. 1, 1945. However, holders of other German Dollar or Foreign Currency (e.g. Pounds Sterling, Swiss Francs, etc.) Bonds should apply to the Board for advice.

German Bonds issued prior to 1925 and denominated in the old German "Mark" (the German Reich currency before 1925) are not included in any validation or debt settlement program, since such securities do *not* and never will have any tangible value. Banknotes denominated in "Mark" are worthless, too.

Holders of securities denominated in "Reichsmark" (the German Reich currency from 1925 to 1948) who have not yet had their securities validated should contact the Securities Settlement Advisory Agency at 39 Broadway, Suite 3202, New York City, N. Y., at the end of this year.

OFFICIAL NOTICE of the issues involved and the procedure of validation appears on page 18.

Paul Bowden Joins Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Paul S. Bowden has become associated with Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Bowden was formerly with Francis I. du Pont & Co. and prior thereto was with L. W. Simon & Co. and was manager of the municipal department for Ball, Burge & Kraus.

Joins Robt. Baird Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — William S. Eddy has become affiliated with Robert W. Baird & Co., 110 East Wisconsin Avenue. For the past 17 years Mr. Eddy has been with A. G. Becker & Co.

THE MARKET . . . AND YOU

By WALLACE STREETE

Some concentrated selling attention was paid to the railroads in this week's market but while the pressure was enough to drop the carrier indices momentarilly to new low levels for the year, it wasn't enough to start any debacle among the chartists. It served mostly to point up the day-by-day and stock-by-stock nature of the market recently.

* * *

This was in contrast to what happened as recently as 1946 when the mere possibility that previous lows would be violated started anticipatory selling even before the event and led to a rather sharp decline and a two-year period of stagnation before things brightened up again. Since then stocks have been held in strong enough hands so that the daily market fluctuations are ignored along with what the chart followers call preliminary bull and bear signals. It leaves the deluge of mid-1950, on the outbreak of the Korean War, as the last blind, unreasoning stampede.

* * *

The Last Gasp

What the trouncing did do was to end the speculation over a last-gasp revival of the summer rally which, ironically, the rails were to trigger as far as general expectation was concerned. The seasonal rise, by tradition, usually reaches its climax about now with mid-October the time for the reaction lows. There's always a consoling adage handy in the stock market and the current one in use is that since the summer rise was so restricted, any reaction from it should be similarly moderate.

* * *

For a change, any traders nimble enough to profit from it had something of a trading wonder to toy with. The gyrations of Denver & Rio Grande issues were a throwback to the lusty days of old. One day's product was a four-point hop. The heavy selling of Monday carried it off more than two points but the dividend increase and 50% stock declaration just before the close enabled it to recover most of the loss. But the following day, when the disappointment over the lack of an outright split set in, it traveled over a range of almost six points. Illinois Central, obviously chagrined over a boost of only 25 cents in its dividend, was almost as erratic, roaming over a distance of more than five points in a couple of sessions.

Rail Action a Professional Affair

The setback had all the earmarks of being mostly a professional matter. Traders had loaded up on the rails in anticipation of some good price action when the earnings reports started pouring out. It was both logical and characteristic that they tossed their holdings out when the group failed to derive any comfort from the good financial reports. The brokerage gentry reflected this belief by refusing to get very concerned over the selling.

* * *

One of the minor barometers that a handful of brokers have come to watch is the timing of the new highs or new lows by the motors and steels since the pattern in past years has been for one to take a decisive course some half a year before the other. But this was somewhat upset in midweek when U. S. Steel, Crucible, National and others made new lows on the same day that Chrysler, General Motors and Continental Motors pushed to new low territory on their own.

* * *

Laggard Secondary Issues

Another disappointment, of a somewhat longer duration, are the so-called secondary issues. When the market reacted from the bull market peaks bright and early this year, it was the consensus that the blue chips had done their work well in the post-election runup and that from there out it was up to the more speculative issues to assume leadership and keep the bull market going. They have consistently refused to do so, however, outside of a few special situations. The new lows of the week were well larded with these "potential" leaders.

* * *

Among the secondary and outright speculative issues that were prominent in slumping into new low territory were those of the quality of Blaw-Knox, Avco, Capitol Air, Servel, Certain-teed, Checker and Chicago Yellow Cab, Duplan, Packard and Sun Chemical.

* * *

To the followers of the meat packing shares, who have been hoping in vain for better things from their favorites for something like half a dozen years now, the week was doubly depressing. Wilson, Morrell and Armour dropped to new lows with little show of resistance to the trend despite the fact that they are in one of the most severely depressed groups on the board.

* * *

Volume Up

The brightest aspect of the week—but not to stockholders—was that volume moved back to the 1½ million "norm" that was standard earlier in the year. It was the first time since early in June that volume was fairly respectable for more than a random day or so. And volume is what keeps the brokers supplied with the wherewithal to pay their bills.

* * *

One curious parallel stood out: This is the second week running that a two-day cycle has prevailed. It was the pattern of sinking prices with no sign of recovery one day, followed by a continuation of the decline early the following day with with a somewhat spirited recovery setting in when the list had gone down as far as it intended. Here, again, the pattern is one of professional handling with little public participation. The essential differences this week were that the selling was able to make more inroads and the recovery was much tamer, coupled with the fact that the list has worked lower with the previous lows of the year in jeopardy on any further pressure.

* * *

Flare-Up in Benguet Mining

Lowly Benguet Mining, which has been given a play now and then on the prospects of doing some profitable gold mining in the Philippines, had its day in the footlights when it erupted in a burst of activity on Tuesday including an opening of 74,900 shares and a day's volume of 119,600 shares. It hasn't been since the days of the famous Commonwealth & Southern that volume of that size has been recorded. Commonwealth year after year made the head of the list of most active issues until it was stricken from listing on its dissolution in 1949. This old favorite, moreover, went out in a blaze with one sale of 350,000 shares just before its trading life ended, which was one of the largest single sales of a Big Board stock on record. Moreover, on the same day it also appeared in a 150,000-share transaction and incidental others, accounting for nearly half of the total volume of the day.

[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.]

R. M. Snyder Opens

POTTSVILLE, Pa. — Robert M. Snyder has opened offices at 1624 Mahantoggo Street to engage in the securities business. He was formerly with Reynolds & Co.

Motor Vehicle Toll Highways

By CURTIS V. TER KUILE*

Calling attention to inadequate highways, Mr. ter Kuile suggests a formula for meeting the problem of constructing and financing new facilities. Reviews development of motor transportation, and says there are indications turnpike and bridge tolls are approaching a saturation point. Proposes: (1) creation of Federal Highway Authority; (2) allocation of 50% of U. S. tax receipts from autos and accessories as well as gasoline and oil taxes to this Authority; and (3) have states pass laws making it mandatory to use highway taxes for highway purposes. Holds result should permit at least a one-third average reduction in toll rates.

There are at present about 53 million automobiles, trucks and busses being driven over the highways of the United States. These vehicles are now operating on roads not suitable to accommodate half that number of machines. The question has arisen as to how to lay out, finance and construct the new facilities necessary to handle such a large volume of traffic. The writer has devised a suggested formula for meeting this important problem, but before a solution is proposed perhaps it would be advisable to review certain factors entering into a consideration of the history of this development and having a bearing on the whole subject of motoring and of motor freight haulage.

Curtis V. ter Kuile

Auto's Contribution to Nation

Although there have been many marvelous inventions in this Twentieth Century, there can be little doubt but that the motor vehicle was the most outstanding development and had more to do with the economic improvement of the United States and its citizens' welfare than any other innovation in this modern age. It has revolutionized transportation, increased employment tremendously added to the pleasure and comfort of the people, and it has greatly augmented the national income. An interesting point to note is that the production of motor vehicles on a commercial scale actually began in the very first year of the Century, for in 1900 the industry started off with the manufacture of 4,192 units with a value of $4,899,443. These figures may be compared with the results for 1952, when 5,554,000 units having a value of over $9,000,000,000 were put on the market. Such rapid development has produced not only untold wealth and pleasure to the nation, but it has also brought with it certain serious problems, one of the most pressing having to do with the financing, construction and maintenance of suitable highways to carry this tremendous traffic.

In 1900 the population of the United States was 75,994,575 persons. At that time the average businessman arrived at his office by railroad, trolley or horse drawn vehicle. The average workman walked to his job, even up to a distance of four or five miles. There were no parking problems and the open highways were not unduly burdened with traffic, though in the large cities certain streets were apt to be crowded with drays, particularly in the vicinity of railroad stations and wharves.

*The writer is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

Industry's Early Days

In a comparatively short time automobiles began to appear on the highways and their advent was received with mixed emotions by the citizens. The writer actually drove his first motor vehicle, a Cadillac, in the Spring of 1902. At that time there were several American machines available and also a few of foreign make, usually driven by professional chauffeurs. Problems arose with regard to the handling of horses when automobiles passed, also mechanical difficulties were more numerous than they are today. Accidents were quite rare and were caused more often by the collapse of a culvert or the mired condition of the road than by collisions. Most highways were surfaced with "McAdam" crushed stone, which proved quite suitable in view of the comparatively slow speed of the vehicles, but was apt to be dusty. Consequently there was a brisk demand for goggles and "duster" coats. There were no windshields, electric lights or self starters, yet the joys of motoring had begun to grip the populace, and the grand future of the automobile was well on its way.

For quite a few years after motor vehicles were introduced there was no actual need for special provision for them. To begin with, no one ever thought of parking his car on the street over night. Every motorist was very careful of his machine and kept it in a garage or carriage house. It is true that the roads would sometimes become terribly crowded returning from the Vanderbilt Cup or Brighton Beach races, but on most occasions there was plenty of room on the highways for anyone who wished to use them. However by 1929, when a total of 5,358,420 passenger cars and trucks were produced, it became evident that something would have to be done to accommodate this great new type of transportation.

Evolution of Turnpikes

There was nothing particularly new regarding turnpikes in the United States. The first toll road was built in Virginia in 1786. It was known as the Little River Turnpike and extended from Alexandria to a point east of Winchester. The Lancaster Turnpike was opened to traffic in 1794. It was built by the Philadelphia and Lancaster Turnpike Road Company, with permission of the State of Pennsylvania. It was 62 miles in length and cost $465,000. Tolls of from 1c to 13½c per mile were charged, according to the width of the wheels and the number of horses used. Freight was carried in Conestoga covered wagons and travelers went by stage coach. This was the first financially successful toll road and it was privately financed and operated.

The first toll road constructed exclusively for motor vehicles by a public Authority was the Pennsylvania Turnpike, opened to traffic on Oct. 1, 1940. It was 160 miles in length, extending from Middlesex to Irwin, and was financed by agencies of the United States Government through a grant of $29,250,000 and a loan of $40,800,000. It has proven to be a successful venture and has recently been extended to a total of 327 miles from a point near Philadelphia through to the Ohio border. Since the construction of the original Pennsylvania Turnpike, motor toll roads have been built in Maine, Colorado and New Jersey, and others are being planned in Ohio, West Virginia, Oklahoma, New York and Indiana. Moreover a number of toll bridges have been constructed for motor vehicles, the larger of these including the George Washington, Delaware River, Golden Gate, San Francisco Bay and the Whitestone. There can be no doubt but that a great effort has been made by various states and public Authorities to make motor travel more rapid and convenient.

Toll Charges

However, there is one point which should be emphasized in connection with all this endeavor to facilitate automobile, truck and bus transportation. This has to do with the rather high cost which users must pay to take advantage of these facilities. In order to drive over the full 327 miles of the Pennsylvania Turnpike a passenger car is charged $3.25 and a heavy truck with trailer must pay up to $20.50. Passenger car toll on the 118-mile New Jersey Turnpike is $1.75. A motor trip from New York to Baltimore and return costs $6.40 in bridge, tunnel and turnpike tolls for a distance of 422 miles.

As a matter of fact, there are indications that the cost of motor operation is approaching a point where it will interfere with the sale not only of new vehicles but of gasoline, tires, and accessories, and bring about a decline in the earnings of motels, hotels and restaurants along the highways. Gasoline and Diesel oil taxes, together with extra motor truck use charges, have been raised in many states to a point quite out of proportion to the benefits which motor vehicle operators are supposed to get in return. Insurance rates are very high, particularly in the densely populated areas; in some localities these rates have been raised several times in the past five years. This is, of course, due to careless driving, excessive speed exorbitant claims and cost of repairs.

If each state were to lay out a toll throughway to interconnect with those of neighboring states, the cost of a pleasure tour or business trip could become excessive, provided the best and shortest routes were followed. If a car owner were to drive from New York City to Chicago and return, using the New Jersey Turnpike to Bordentown, the proposed Delaware River Extension, Pennsylvania Turnpike, and the proposed Ohio and Indiana Turnpikes, he would have to pay about $22.50 in tunnel and turnpike tolls for the 1,700 mile trip. During an average year his insurance costs are between $50.00 and $144.40, licenses $18, tolls $25, gasoline taxes $57, in addition to which he should charge depreciation of about $250 on his car; a total of $450, or an average of nearly $40 per month without considering the actual running expense for the vehicle.

Have Tolls Reached Saturation Point?

All this may seem inconsequential at present when high wages and inflation generally tend to make people careless with their money. However, when more difficult times roll around the story may be quite different. It should be clearly borne in mind that not one of the toll turnpikes, or even the larger, better known toll bridges or tunnels have ever been through a depression, not

Continued on page 29

SEC Proposes Rule on Stock Options

Sets down procedure for determining cost, if any, of stock options to corporate executives and employees that may be reflected in profit and loss or income statements filed with the Commission. Comments on proposed rule invited.

Last February the Securities and Exchange Commission announced that it had under consideration the adoption of a proposed rule concerning treatment of compensation in the form of stock options granted by corporations to their officers and employees. All interested persons were invited to submit views and comments on the proposal.

The rule, the Commission states, was proposed because of the apparent lack of unanimity of opinion among corporate and public accountants as to the appropriate manner in which the amounts, if any, to be charged against income representing compensation to recipients of stock options should be determined. The principal point of disagreement was the time at which the determination should be made. Persuasive arguments were advanced for each of three dates, i.e., when the options were (1) granted, (2) exercisable, or (3) exercised.

The Commission, after consideration of the comments and suggestions received, is of the opinion that the propriety of using any one of these dates in all cases has not been established, and that determination of, and accounting for, cost to the grantor based upon the excess of fair value of the optioned shares over the option price at any one of the three dates advocated might, in some cases, result in the presentation of misleading profit and loss or income statements.

In these circumstances the Commission states that it deems it inappropriate to prescribe a procedure for determining the amount of cost, if any, of these stock options to be reflected in profit and loss or income statements filed with the Commission. However, in order that investors may be apprised of the monetary significance of the concessions made by registrants to officers and employees through the granting of stock options, the Commission proposes to adopt a rule to be added to Regulation S-X, and to be designated Rule 3-20 (d), which will require full and complete disclosure of all stock option arrangements in financial statements filed with the Commission.

The text of the rule, which it is proposed to adopt is as follows:

"Rule 3-20 (d). Capital Stock Optioned to Officers and Employees—

"(1) A brief description of the terms of each option arrangement shall be given, including (i) the title and amount of securities subject to option; (ii) the date or dates upon which the options were granted; and (iii) the date or dates upon which the optionees became entitled to exercise the options.

"(2) State per share and in total (a) with respect to the shares subject to option at the balance sheet date, the option price, and the fair value at the dates the options were granted; (b) with respect to shares as to which options became exercisable during the period, the option price, and the fair value at the dates the options became exercisable; and (c) with respect to the shares as to which options were exercised during the period, the option price and the fair value at the dates the options were exercised.

"(3) State the basis of accounting for such option arrangements and the amount of charges, if any, reflected in income with respect thereto."

All interested persons are invited to submit views and comments on the proposed rule addressed to the Securities and Exchange Commission, 425 Second Street, N. W., Washington 25, D. C., on or before Sept. 25, 1953.

Chicago Municipal Club to Hold Outing

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold its annual field day on Friday, Sept. 11 at the Knollwood Club, Lake Forest, Illinois. The outing will be preceded on Sept. 10 by cocktails and dinner at the Union League Club. Guest reservation fee, $30. Member reservation fee $10.

Buses have been chartered to take members to the club. Full information may be obtained from the transportation committee.

Special features of the outing will be golf, softball and tennis, and also a very special event under the direction of Allan Blair of Allan Blair & Co.

William S. Morrison, Jr. is the general chairman of the outing. Members of committees are: Arrangements: William A. Grigsby, John Nuveen & Co., chairman; George L. Barrowclough, First of Michigan Corporation; Milton J. Hayes, American National Bank & Trust Co.,; Charles E. Lundfelt, McCormick & Co.; Floyd W. Sanders; Arthur Tresch, Smith, Barney & Co.

Reception: Francis R. Schanck, Jr., Bacon, Whipple & Co., chairman; Thomas W. Evans, Continental Illinois National Bank & Trust Co.; Milton S. Emrich, Harris, Hall & Co., Inc.

Entertainment: John F. Kehoe, Stern Brothers & Co., chairman; John F. Detmer, H. M. Byllesby and Company, Incorporated.

Dinner and refreshments: Rowland H. Murray, Nongard & Co., chairman; Ross A. Gustafson, Northern Trust Company;

Transportation: Sidney V. Duncan, R. S. Dickson & Co., Inc., chairman; John H. Jackson, Lehman Brothers; Warren S. Yates.

Special event: Allan Blair, Allan Blair & Co., chairman; Edward V. Vallely, John Nuveen & Co.; Frederick W. Channer, Channer Securities Corp.; George R. Smith, E. F. Hutton & Company; Linus F. Groene, Dempsey & Co.; Walter A. Hintz, Stone & Webster Securities Corporation.

Prizes: Paul Stephens, Paine, Webber, Jackson & Curtis, chairman; O. H. Heighway, Hornblower & Weeks; William H. Chamberlain, Halsey, Stuart & Co., Inc.

Golf: John W. Allyn, A. C. Allyn & Co., chairman; Ronald M. Coutts, John Nuveen & Co.; Kenneth L. Eaton; Justin T. Ottens, Salomon Bros. & Hutzler.

Softball: Sam M. Stallard, White-Phillips Company, chairman; P. A. Bergquist, First National Bank of Chicago; Thomas L. Kevin, Glore, Forgan & Co.

Tennis: Paul Hackbert, Rodman & Linn, chairman.

Richard O. Tufts With Colvin & Stine

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Richard O. Tufts has become associated with Colvin & Stine, 310 Sansome Street. Mr. Tufts was formerly a partner in Technical Fund Distributors and prior thereto was with Klehmet and Company.

Continued from page 2

The Security I Like Best

company's main line in the last year.

(3) During the past year, a substantial expansion program was completed and it's all paid for. Additional facilities may be needed, two years hence, requiring moderate financing. Present delivery capacity of 1,066 million cubic feet is adequate to meet near-term customer needs. With a daily sales average of only 655 million cubic feet in 1952, the company has room for a much more efficent and profitable gas load. This is being accomplished by adjusting present delivery contracts and developing huge underground storage facilities to meet peak winter demands. Any pipeline's potential for growth and high earnings, to some degree, may be measured by the extent of its storage facilities. At the moment, Texas Gas is able to deliver approximately 40 million cubic feet daily from storage, which compares with 9 million in 1951 and 5 million in 1946. Facilities in Kentucky, under development, will more than double the present storage capacity within a few years. By 1957, the company estimates that 101 million cubic feet will be the storage capacity on a daily delivery basis.

(4) There are 2,581,054 shares of common stock outstanding, and Gas Industries Fund, a specialist in the natural gas industry, owns about 20,000 shares. The company's preferred stock is held by insurance companies. The equity portion of the capital structure is 24.4%, which is stronger than those of a number of other pipelines. Dividends were initiated on a 25c quarterly basis in March, 1952.

Investors are concerned with the future prospects. Here is a well-managed, regulated company ready to build up deliveries of a product for which there is a growing demand. Its common stock currently offers an attractive return with many factors favoring a higher return in a short period of time. Texas Gas Transmission common stock is actively traded in the over-the-counter market and is quoted in the Unlisted Section of leading financial newspapers across the country.

Ferrell & Ferrell Formed

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Ferrell & Ferrell is engaging in a securities business from offices at 411½ Main Street.

H. C. Aiken Opens

DENVER, Colo. — H. Carl Aiken is engaging in a securities business from offices at 1160 Sherman Street.

Public Utility Securities

By OWEN ELY

Montana Power Company

Montana Power Company, with annual revenues of about $31 million, is the largest power company in any Western state except California and Colorado. Its service area comprises 90,000 square miles and is equal in size to all the New England states and half of New York. Over two-thirds of the state's 624,000 people live within the company's area. Electric service is provided in 181 communities and in the rural areas surrounding them, and natural gas is supplied to 28 communities. The company also supplies water, steam heat, manufactured gas and telephone service in two communities.

Montana Power is known as a hydro company. Total power capability of the system is 526,000 kilowatts, including 410,000 kw. of hydro-electric power, 50,000 kw. hydro available under terms of a firm five-year contract with the Bonneville Power Administration, and 66,000 kw. of steam generation. The company now is installing a third generating unit at its Kerr hydro plant, which will increase system capability by 60,000 kw. in 1954.

About three-quarters of the company's revenues are from electricity and nearly one-quarter from natural gas operations. The company has important gas reserves, with gas rights in more than 85% of the acreage of the Cut Bank Field, which has been Montana's largest producer of natural gas for more than 20 years. The company also has a contract to purchase all of the gas in the Dry Creek and Clark Fork fields of southern Montana, and it owns the Heart Mountain gas field in Wyoming. A subsidiary holds leases in four fields in Alberta, Can. containing about 108,000 acres (largely proven) and it also holds exploratory or leasehold rights to large additional areas. Canadian gas is being imported at the rate of 10 billion cubic feet a year for use in mining and smelting operations.

Montana, the third largest state in the Union, is devoted to mining, smelting, lumbering, agriculture, livestock operations and the tourist industry. The Eastern part contains extensive wheat and livestock ranches, oil and gas fields and refineries. This area contains the Williston Basin oil potential. Agriculture and livestock raising constitute the state's largest industries, totaling more than $500,000,000 in 1951. Mining ranks next in importance, followed by tourist trade, lumbering, oil and gas production and refining.

Montana is one of the growth states, population having increased more than twice as fast as the United States during the period 1946-52. Montana Power's residential electric customers increased about 30% during this period.

Anaconda Copper produces about 7% of the copper, 25% of of the zinc, and 95% of the manganese produced in the United States. While Anaconda is the largest industrial enterprise in the state, there are scores of other diversified industries. Oil production and refining is a major industry. Montana Power also serves flour mills, sugar factories, coal mining operations, gypsum and wallboard plants, cement plants, sawmills and wood-processing plants, fluorspar and talc operations, steel fabrication plants, meat packing plants, canneries and grain storage facilities. There are also many other industries represented among the small concerns. Among major industries developed recently or now under construction are the Victor Chemical Works, which produces elemental phosphorus, Anaconda's aluminum plant, Diamond Match Company mill, American Chrome Company operations, and plants being established for the processing of tungsten and coal char.

Montana Power receives about $8 million a year from Anaconda for sales of electricity and gas. While the proportion of Anaconda sales to total revenues declined from 36% to 26% during the decade ended 1952, this is still a rather heavy proportion of the company's revenues. However, President Corette states that "If Montana Power had 80 mining and smelting customers producing many kinds of minerals and each paying $100,000 annually for electricity and gas, its revenue picture would be the same as it is now. However, Montana Power believes that one customer with the operating, research and financial ability and standing of A.C.M., paying $8,000,000 annually for electricity and gas, is many times preferable from an economic standpoint to many smaller, weaker companies."

The common stock of Montana Power has been selling recently at 29½, and is currently paying $1.60 to yield 5.4%. Share earnings for the 12 months ended June 30 were $2.81, making the dividend payout only 57% (even after the increase in the rate this year). The table below gives the common stock record of the past decade.

Year	Revenues (Millions)	Common Stock Record— Earned	Paid	Approx. Range
1952	$31	$2.70	$1.40	31½-26½
1951	27	2.49	1.55	29 -21½
1950	26	2.78	1.05	23½-19½
1949	24	2.49	1.40	20 -17½
1948	22	2.30	1.40	
1947	20	2.27	1.20	
1946	19	1.94	1.00	
1945	18	1.14	1.00	
1944	21	1.29	.80	
1943	22	1.30	1.00	

McCanless Forms Firm

DALLAS, Tex.—Thomas S. McCanless is engaging in a securities business from offices in the National City Bank Building under the firm name of Thomas S. McCanless & Co. He was formerly with Slayton & Co., Rauscher, Pierce & Co. and W. B. T. Simmons Co.

Pomeroy Enterprises

PHOENIX, Ariz.—Pomeroy Enterprises, Inc., has been formed with offices in the Security Building to engage in the securities business. Officers are R. J. Pomeroy, President; Cecille Pomeroy, Vice-President, and Lillie Fraser, Secretary.

France's Crisis

By PAUL EINZIG

Dr. Einzig reviews developments which led to the current crisis in France, and points out it is reaction to the new French Government's timid effort to reduce the national budgetary deficit. Says organized workers in France are not prepared to make sacrifices for sake of restoring nation's financial and economic stability. Concludes "there now appears no means of arresting French avalanche of inflation."

LONDON, Eng. — Towards the middle of August, France found herself in the throes of a violent crisis. Her economic life had become paralyzed by widespread strikes. They were a reaction to the new French Government's very timid effort to reduce the budgetary deficit by means of some relatively modest cuts in expenditure. The bulk of the organized workers, irrespective of whether they belonged to Communist, Socialist or Catholic trade unions, staged a violent protest against the attempt to reduce public spending. Considering that the sum total of the proposed economies represented a bare fraction of the budgetary deficit, it is easy to imagine the reaction to any really wholehearted attempt at balancing the Budget. It seems reasonable to assume that any such attempt would result in an open revolt threatening the very existence of the democratic regime.

Dr. Paul Einzig

In 1926 M. Poincare was able to enforce measures to balance the Budget and to save the stability of the franc. In 1938 M. Reynaud was equally successful. In 1953, however, it seems politically and socially impossible for a French Government to do its duty and make a serious attempt at balancing the Budget. Any such attempt is bound to encounter the utmost resistance, involving immense losses to the national economy through a fall in the output, a disorganization of transport and decline of tourist traffic earnings. Indeed the financial cost of maintaining order and restoring the essential public services, together with loss of public revenue arising from the troubles, seems to be sufficient to wipe out the budgetary gains of the economies, even if the Government should prove to be firm enough to uphold its measures in face of the violent opposition of the trade unions.

Devaluation Ineffective

The Government could of course take the line of least resistance by devaluing the franc once more instead of trying to maintain its stability by means of checking the internal inflation due to the budgetary deficit. This was done on repeated occasions since the end of the war. On each occasion the devaluation of the franc brought temporary relief. Prices in France became low compared with those in other countries. French export trade and tourist traffic benefited by it. The "shot in the arm" produced a temporary beneficial effect.

Before very long, however, the vicious spiral of prices, costs and wages once more proceeded so far that France became once more an expensive country compared with other countries. The balance of payments deteriorated, and in order to save the franc the Government had to make an effort to check budgetary inflation. Amidst postwar conditions this proved to be unattainable, and the franc had to be devalued eventually once more.

Since the relief obtained through sacrificing the stability of the franc proved to be purely temporary on each occasion, it is no wonder if the French Government has become increasingly reluctant to resort to that solution. Yet in face of the attitude of the majority of the French nation, sooner or later it will have to accept the inevitable. Evidently the organized public and private employees of France are not prepared to make any sacrifices or to exercise any self-denial for the sake of restoring financial and economic stability in the country. They are determined to take full advantage of their strong bargaining position and of the economic weakness of their country as a result of which no government could take up the challenge and resist the large-scale blackmail. They are inspired by narrow self-interest that utterly disregards considerations of national welfare.

In such circumstances the outcome of the French troubles could only be the resumption of the rise in prices through a further devaluation of the franc and the abandonment of the attempt at balancing the Budget. There appears to be no means of arresting the avalanche of inflation.

"A Democratic Crisis"

Nor is this state of affairs confined to France alone. Although the crisis there assumed a particularly acute form in August, 1953, it is not a specially French crisis. It is the crisis of Democracy. It seems that as a result of universal suffrage and of the increase of the economic power of organized labor, the balance of power has changed in all industrialized democratic countries in a sense that makes a non-stop rise in prices inevitable. From this point of view it appears to make little difference whether the governments in office are Socialists or Conservatives. Britain's experience in 1952-53 proves that even a Conservative Government is hardly in a position to enforce budgetary economies in order to arrest the rising trend of prices due to inflated purchasing power. In France, too, the Government of M. Laniel is based largely on the Parties of the Right. Yet it seems certain that he will be effectively prevented from pursuing a disinflationary policy.

The only hope of arresting this drift towards runaway inflation is that the masses may yet realize, before it is too late, that from the point of view of their own vital interests they must make sacrifices in order to check the inflationary trend. Unfortunately, it seems probable that inflation will have to proceed much further and will have to accelerate its pace before enlightened self-interest is likely to prevail over demagogy. Any temporary setback in prices—which may occur, in spite of the inflationary pressure of organized labor, as a result of the accumulation of good crops, or for many other reasons—tends to encourage immoderate wage demands and resistance to budgetary economies. The outlook is anything but promising. It seems that nothing short of a miracle could result in a fundamental change for the better in the near future.

LETTER TO THE EDITOR:

Richard Spitz Answers His Critics On Dividend Taxation

Says when special treatment or subsidies are given to individuals or groups, the free enterprise system is eroded.

Editor, The Commercial and Financial Chronicle:

The greatest threat that exists to the American free enterprise system is to socialize it by subsidies and exemptions.

When exception treatment is given to any individual or group of individuals, as exempting dividends from taxation, one must also approve special treatment of special segments of the citizenry, such as subsidizing farmers who raise certain types of grains. All of this is a far cry from my understanding of what constitutes free enterprise. I am against eroding the free enterprise system and contaminating it with socialism.

The keystone of the free enterprise system is personal responsibility, and the segments of the populace who ask for special subsidizing and special exemptions to augment their return from the individual opportunity afforded by the free enterprise system are giving but lip service to it. True free enterprise does not ask or seek special treatment for any individual or segment of individual citizens, be they farmers, cattle men or investors, for that matter. Any system that does so, may be called "free enterprise," and that is exactly what the investment fraternity, seeking to exempt dividends from taxation is doing—giving lip service, instead of setting an example of not stooping to receive a tax subsidy or tax exemption of dividend payments!

Either traditional free enterprise standards must be observed by the investment fraternity, or we may as well stop kidding ourselves and arrive at another definition of what constitutes free enterprise for ourselves and the generation to come! I, personally, am against a redefinition of free enterprise, but it certainly looks like we could stand some refinement of what constitutes free enterprise.

To that end, I have declared against exempting dividends from taxation, and have been critical of Mr. Funston's statement that there is now a "double taxation of dividends," to which your readers, Messrs. Nash and McKinney take me to task.

In reply to Mr. Nash's question, "If the common stockholders of a corporation do not own the *net* earnings, who does?," my answer is that his premise is incorrect, for the corporation owns the net earnings of the given corporation to do with it as the Board of Directors determine. Otherwise an individual stockholder, as a matter of right, could direct the payment of dividends and in amounts quite a bit more liberal than a comparison of net earnings and declared dividends indicate since World War II.

Therefore, the theory of "double taxation of dividends" cannot be reconciled as another taxation of earnings for (1) dividends and earnings are not one and the same and (2) dividends arise from actual declaration by the corporation. At best, they are a progression of the earning cycle and paid to another individual or corporation, unlike a partnership that has a direct ownership of earnings.

It is quite late in the day to contend that dividends should be non-taxable. Taxation on dividends has existed as far back as income taxes. Hence, the whole theory of non-taxability of dividends is nothing more than a subsidy or exemption from payment of a tax, otherwise there would have been no taxation of dividends in the first place, and over the years.

As to Mr. McKinney's more substantive discussion of why he is in disagreement with my views, he states, "A corporate set-up is in effect a limited partnership chartered by law, and is not wholly unlike other partnerships, associations, etc."

Not so. Partners share losses as well as profits, individually and jointly in a general partnership, with a limitation as to loss as to any partner in the case of a limited partnership. In the case of a corporation, the assets are owned by the corporation, dealt with by the corporation, as in the case of dividend declarations, and the individual shareholder cannot claim his share, except as declared by the Directorate, or established in liquidation.

As to Mr. Kinney's comparison of debtor-creditor obligations as being deductible for corporate purposes, the payment of interest on those obligations are not untaxable to the individual receiving the interest. The debtor-creditor obligations are quite a bit different, corporatewise, from equity funds raised through stock shares, for the latter need never to be redeemed or repaid. So again we are not comparing fairly the same types of obligations, for the creditor fixes the interest payment but the Board of Directors fixes the dividend payment, as such, or perhaps no payment at all.

The corporations mentioned by Mr. McKinney have done quite well during the entire time that they have been in business, and during such time as dividends have been taxed to the shareholders and net earnings have been taxed to the corporations.

Everyone, corporation and individuals alike, has a beneficial stake in the free enterprise system and also a responsibility to the free enterprise system that will continue to make it work.

One of those responsibilities is to prevent the further erosion of the free enterprise system by rejecting the theory and benefits of subsidies and exemptions, as in the case of seeking non-taxability of dividends, even though it would be beneficial to the financial and investment segment of the country.

But the immediate benefits would outweigh a good example that free enterprise-minded individuals seek neither subsidies, exemptions or other handouts for themselves, and in keeping with the philosophies and operation, in fact, of our free enterprise system, they stand opposed to subsidies and exemptions to other segments of the citizenry.

Your reader, Mr. Wm. R. Nash states that my views "take the cake," but I say that one "cannot have the cake and eat it, too."

Is it the right thing to do, to acknowledge the philosophy of our free enterprise system and compromise in practice the very operation of the system by acknowledging that subsidies and exemptions are wanted and desirable?

RICHARD SPITZ

Fortune's Rocks,
Biddeford, Me.
Aug. 15, 1953.

James McMullen Opens

WASHINGTON, D. C.—James S. McMullen is engaging in a securities business from offices in the Union Trust Building.

SEC Approves NASD's Rule on Transactions For Employees of Other Member Firms

Vacates order of June 30, 1952, deferring effectiveness of NASD rule and drops proposal to substitute its own rule.

The Securities and Exchange Commission on Aug. 21 vacated its order of June 30, 1952, which deferred effectivenes of a proposed new rule of the National Association of Securities Dealers, Inc., with respect to transactions executed by a member firm (the "executive firm") for any person associated with another firm (the "employer firm"); and the Commission also abandoned a proposal to adopt its own rule on the same subject.

The NASD rule, designated Section 28 of Article III of its Rules of Fair Practice, provides under certain limited conditions that, before knowingly executing a transaction for the account of any person associated with another firm (whether a partner, officer, registered representative, or employee), the executing firm shall give notice to the employer firm of such proposed transaction. The said rule, which had been approved by the Association's Board of Governors and membership, was intended to provide a means by which members would be informed of the extent and nature of transactions effected by their employees or other associates, so that a member in his own interest and in the interest of his customers, might weigh the effect, if any, of such transactions handled outside his own office.

The rule which had been proposed for adoption by the Commission (Rule X-10B-6), had a similar objective and would have made it unlawful for any broker-dealer firm, whether or not a member of the National Association of Securities Dealers, Inc., to effect any securities transaction for any person associated with another such firm, unless it gives advance notice of the proposed transaction to the employer firm and sends such other firm a copy of the confirmation.

After further study of the problems involved and the comments received upon its proposed rule, the Commission concluded that the Association's rule should be permitted to become effective and that Rule X-10B-6 should not be adopted. Thus, the Association and its members take primary responsibility for the supervision of trading by employees of member firms, and the Commission is relieved of administering and enforcing another rule, with its attendant burdens and costs. The Commission's jurisdiction over violations of the Securities Laws is not, of course, affected.

Continued from page 7

Commercial Banks And Consumer Credits

right often enough if he is a credit-guesser.

A credit-guesser is like a crapshooter. Sooner or later he will experience "a run of bad luck." If the run is long enough he is out of business, just as the crapshooter with cold dice is out of the game. Consequently, credit-guessing has no place in the banking business.

While passing on credit may not be included among the sciences, some sound principles have been established which, if followed intelligently, are likely to produce good results credit-wise. These principles are much the same whether applied to the extension of credit to an industrial tycoon or to the credit applied for by the man receiving a modest salary.

The three questions the credit man must answer in each case are the same. Can the applicant pay? Will he pay? Can he be made to pay? It is just as simple as that.

Here's a good place for us to remind ourselves that the third qualification, e.i., can he be made to pay—is a safeguard against loss of principal. If it becomes necessary to force payment, the business will have proved unprofitable. The banker who puts weak borrowers on his books, whether they are big or little, relying upon endorsements, reserves, holdbacks or chattel mortgages, is very likely to reap a harvest of ill-will and find his profit margin much too narrow when his loan portfolio is finally liquidated.

It is clear to all of us that the credit evaluation of the experienced banker is as effective as his information is relevant, accurate and complete.

What does the banker look for in each of its credit seekers—the $90,000 borrower or the $900 one? He looks for the answers to these questions:

Is he mature and established?

Does he have a good reputation for paying his bills?

Is he a man of good character with domestic trouble at home or in his business?

Is he a good manager?

Has he a steady income from a reliable source?

Is it enough to meet his current obligations and other longer term debts?

Is he putting too much in fixed assets?

Has he a cushion for unforeseen difficulties, including insurance, etc.?

This is the same information one would seek in order to establish a credit of $900 or $90,000.

Experience has taught us that the answers to all of these questions have a direct bearing upon the banker's decision concerning the credit to be extended. We have learned that "a combination of ability and stability cannot be beaten." Incidentally, a credit or Dun report showing nothing for or nothing against the applicant, i.e., a neutral report, isn't necessarily a favorable report. Such borrowers very often show up in the charge-offs.

I am sure we have all learned to go slow with the applicant who is in a hurry, and experience has taught us to avoid applicants who always appear to play in bad luck.

Some consumer bankers advocate declining any loan, even if it is secured, if there is evidence of excessive debt, immaturity, irregular employment, if it is a young small business risk, or if the total instalment debt is more than 1½ to 2 months' income.

Over-buying, excessive drinking, gambling, the desire to keep up appearances, frequent job changes, "female" trouble, are all road-blocks to the prudent lender.

Basis of Credit Man's Success

After all, the success of the credit man is to be found in his ability to make the largest percentage of loans without increasing the loss ratio above the normal.

It isn't smart to turn down a high percentage of loans in order to avoid making one poor loan. Neither is it clever to make a lot of poor loans to avoid turning down one good one.

Lending to young companies—less than 6 years old—like lending to lads under 25, has proved much more hazardous than lending to older and more experienced companies and individuals. A 1951 survey showed that three-fourths of the firms that failed in that year started in business during the previous 5 years. But permanence in some jobs may not be too indicative, for the work may be seasonal or spotty, subject to layoffs, strikes or what have you.

I, personally, like businesses and people who aren't continually moving their locations. It costs money to move. Of course, we all like steady earners rather than those who have a feast today and may have a famine tomorrow, for we may strike the famine cycle.

It is true that your amortized loan customer may be able to answer all of the questions we mentioned a moment ago, and yet fail to meet his obligations to the bank. He may develop domestic trouble or he or some member of his family may have some very costly accident or severe illness. Furthermore, the borrower with an excellent reputation and good income may go berserk. Perhaps he gets infatuated or takes a plunge in the market, at poker or on the ponies, or goes off on some other tangent without the slightest previous indication of any such weakness. But these are rare exceptions. They couldn't have been anticipated. That's why, on certain classes of paper, the dealer is required to endorse. That's why we set up reserves against possible losses. But don't pass consumer credits which depend upon the dealer's endorsement or the reserves or just because it carries a high rate. They should be the last line of defense.

However, bankers who stick to normal risks as determined by intelligent investigation seldom experience losses in excess of normal reserves.

Taking Chances in Making Loans

The banker who is likely to get in trouble is the one who makes questionable loans for policy reasons or who takes chances on others where the discounts look good but the credits are thin, where competition persuades him to buy some paper at rates that are too low, maturities that are too long, down payments that are too short, or contracts covering sub-standard merchandise.

Last year we also suggested that the banker could not afford to be either a pessimist or an optimist—but a realist—with vision, courage and balance; firm without being rigid.

Of course, the credit man, in order to make sound judgments with respect to individual loans, must keep himself informed relative not only to current conditions but to trends which may affect those judgments before the maturities of the loans applied for.

Expect a Slide-Off of Prices

Obviously, the consumer with which we are primarily concerned in this particular discussion is affected by prices, by income, by employment, and by taxes. It seems to be pretty generally conceded, for instance, that there is likely to be a slide-off in prices, income and employment some time within the next six months or a year. This leveling off process isn't expected to be drastic and probably will have run its course by 1956.

There are a number of reasons for these predictions. Money is tighter, government spending is headed down and the drop is likely to be further stimulated by the truce. Inventories, in some lines, are high. Our productive capacity is colossal and in some industries is above consumption. Areas in which this is glaringly apparent are the appliance, TV, automobile and food fields. There are surpluses in each of these areas. Food prices now are being supported by heavy government subsidies. Surplus used cars, which govern to an extent new car sales, are reflected in lower prices, more repossessions, and tighter credit provisions. Car dealers are said to have twice as many as they had a year ago, as car owners drive their automobiles longer. There is intensive competition in the trade, and profit margins are narrower. The day of panicky buying seems gone.

Competition among TV and appliance dealers is so keen that unsound practices are entirely too common, and the output of appliances has been progressively down since March, with inventories still high.

Obviously, with production cut in some lines, overtime is likely to be reduced, which even though employment may remain reasonably full, will adversely affect income.

It is pretty generally conceded that war in the future will not be considered a governing factor as far as a healthy economy is concerned. The present Administration in Washington does not want to depend upon emergencies to keep our economy synthetically prosperous. The boom which has proceeded on the emergency basis for 13 years has spent itself.

There is plenty of evidence that inventories are increasing; that there has been an increase in the unfilled orders of manufacturing concerns. Steel, for instance, has pretty largely made up for the shortages caused by the steel strike last year, and there is some evidence that production may ease off in the last quarter.

Of course, we are facing some adjustment as we begin to convert from defense to civilian production, if we are to minimize the drop in over-all activity. Production is leveling off and department store sales, dollarwise, are only slightly above what they were a year ago.

Bloom Is Off the Boom

Business is finding it more difficult to take its discounts because there is a pinch of ready cash. Banks report an increase in NSF checks.

In other words, **it looks like the bloom is off the boom.**

With prices easing off, with the prospects of lower taxes and a sounder dollar in the not too far distant future, even those with slightly less income are likely to live about as well as they are living now.

The goal of the present Federal Administration is to avoid any cut-back which would drop the economy below the plateau considered normal in peacetime—a norm where hard work is not feared and jobs are attractive, and the worker has a real pride in his work.

There is another phase of the era through which we have been passing which we all recognize; namely, the tendency on the part of a fairly sizable segment of our people to over-borrow. This habit —and it has gotten to be a habit with some—is stimulated by many years of full employment and high wages under a war economy. There are signs that these chronic borrowers or buyers on instalments are beginning to realize that they are treading on thin ice. This is being brought home to them by increased efforts by banks, merchants and finance companies to correct delinquencies.

If this group is forced out of the market temporarily, other purchasers must be found to help absorb record production. With price adjustments, it is possible that a new group will come into the market—a group represented by those who have been thrifty and who have accumulated a record amount of savings. These prospects should help to ameliorate the reduced buying of borrowers who find themselves "over bought."

But there are other favorable factors. Price and credit controls are off. There are fewer odious restrictions. Free enterprise and profits are encouraged. There is less red tape. The Government seems determined to reduce its business holdings and to use more business methods in Government.

When Congress cut $13 billion off the Truman budget it made real strides toward improving the value of what the dollar would have been under the Truman budget.

Construction work in July hit an all-time high, and wages per-hour made a new record in June. Despite the leveling off process there is plenty of zip in business.

In the readjustment period it is likely that the salaried person with a steady job, the person with a pension, and the one with a fixed income, will find their situations improved, while the less efficient worker, and the inefficient industry—and business—are likely to suffer. Competition will become keener. Nevertheless, it is the general opinion that business is likely to continue at high levels for several months. This is true even though few expect real peace in the near future, and in spite of the fact that the United States has lost face and relations between us and our allies are strained. (I suspect we have learned that we can't buy lasting peace.)

Of course, with the truce, there is the threat of cancellation of some military orders. Since Government spending has been the main cause of expansion since 1950, an increase in private purchasing is going to be necessary to take up the slack as Government purchasing eases off.

As bankers we must keep our houses in order and do our best to help our customers do the same. There will be plenty of credit to meet the needs of all who deserve it for constructive purposes—plenty provided it isn't dissipated by loans to speculators, promoters, fair-weather operators, or starry-eyed hopefuls. Big or little customers who fall into any one of these categories are likely to find the going much harder in the near future, and the banker who gets in bed with them is likely to wake up sadder but wiser.

Securities Salesman's Corner

By JOHN DUTTON

A very good source of leads is sometimes overlooked because some of the partners, or other executive officers of a firm do not think of mentioning the names of some of their own friends and acquaintances to members of their sales organization. Usually the head of any progressive securities firm knows many people on a socially friendly, or other worthwhile basis, that he never has tried to develop as accounts. Sometimes he is just too busy, or has too many other things to do. So these good names are safely tucked away in the back of his mind and he thinks that some day he will get around to seeing them himself — but he never does. Meanwhile these people are doing business with some other firm or are not being cultivated at all.

Why Such Leads Are Good

One of the rules for successful prospecting when you use radiation is to always lead from the top down. In other words, have your introduction made by a President of a company if you are going to call on a lesser employee —or use some other prestige point of advantage. If you try to lead from the bottom up it is usually not satisfactory. At least try to get on a favorable basis as far as the person who introduces you is concerned. That is why it is sound business to use the introduction of a top member of your firm if you want to meet another person on a proper level so that your chances for doing business will be enhanced.

Many years ago I was a total stranger in New York City and I took a job as salesman for a small but progressive unlisted firm. The senior partner of this firm was very well liked socially and he had many friends who had never bought any securities from him. He was busy developing business along other lines and he turned over about seventy-five good names to me. I simply picked up the telephone and told these people who I was and that I wanted to come to see them to make their acquaintance. My entry was very casual and I didn't try to do anything but become acquainted. Some of these people developed into excellent accounts —in fact I established quite a nice business as a direct result of this approach.

Tact Must Be Used

Any time that this type of lead is given to a salesman it is important that he has the maturity and the experience to be sure he does not oversell or make rash promises of any kind. The best approach is to mention that from time to time "special situations" come about and if the prospect is interested in that kind of investment, that you will certainly keep him in mind. Also, ask questions — see if there is any service that can be rendered pertaining to his present holdings, setting up an investment plan, or making an analysis of the entire estate. If you don't try to make a sale the first time you call but instead you successfully sell yourself, from that time on you will find that these prospects can be developed into very satisfactory accounts.

A Word to the Boss

Such leads as these, where you turn over your own friends and acquaintances to your salesmen, are admittedly valuable names. They are important to you both from a social and business viewpoint. However, if you have some men in your sales organization who are worthy of receiving them and going to work on them, by all means don't hold back. Pass them along as you see that results are coming in. In the long run it will mean more business for you —it will serve to show your confidence in your best men—and it will stimulate their efforts toward increased production of valuable business that you are not obtaining at the present time.

Robt. K. Berry Opens

WESTFIELD, N. J.—Robert K. Berry is engaging in the securities from offices at 725 Standish Avenue. Mr. Berry was formerly with Cohu & Co., Hemphill, Noyes & Co. and Auchincloss, Parker & Redpath.

Penn Bond & Mtge. Co.

PHILADELPHIA, Pa. — Penn Bond & Mortgage Co. is engaging in a securities business from offices in the Bankers Securities Building. Officers are D. Stotland, President; A. M. Dapp, Vice-President, and M. E. Selig, Secretary-Treasurer.

Businessmen and Teen-agers

By ROGER W. BABSON

Holding giving summer jobs for teen-agers is a business obligation, Mr. Babson criticizes businessmen for depriving so many young people of the privilege of vacation employment. Says summer employment of young people can work very much to the advantage of small businesses. Scores penalizing, through income tax laws, fathers whose sons work.

It's a shame that so many young people have been deprived this past summer of the privilege of vacation employment. About the only plentiful jobs this summer were in sales. Unfortunately, all young people do not have aptitudes for selling. Young people ask me how they can learn to swim if no one will even let them near the water. So what do they do after a while? They lie about the facts and present themselves as full-time job seekers. On that basis, they get jobs. Then there is hard feeling when they leave for school again after Labor Day.

Roger W. Babson

There seem to have been several reasons why more students haven't worked this summer: (1) not many companies have hired young people for summer work; (2) the tax structure penalizes father for letting son work; (3) union pools of unemployed have been given preference over summer job seekers; (4) the unreasonable labor laws of some States.

Summer Jobs—Business Obligation

Many businessmen complain that our young people don't know how to work. Often it is these same businessmen who give the cold shoulder to young summer job seekers eager to learn how to work. Reports from employment agencies, from college and high school placement offices indicate that there were fewer summer jobs this year than last. Incidentally, business also failed to respond in the spring to a project to give summer work experience to college professors. I have been told that guards had instructions to bar summer job hunters from many plants.

I know that in recent years, with higher costs, mounting taxes, and union contracts, many company work-schedules have been arranged to eliminate summer jobs. Perhaps the plant shuts down completely for the vacation period so that no fill-ins are required. Or maybe the union contract compels management to fill vacancies from the pool of unemployed union workers before it can go outside to hire other workers. These are facts we have to face, but I feel that the company which doesn't hire a few carefully screened young people for summer work is both shirking a patriotic responsibility and short-changing itself. Any company intent upon fulfilling this obligation will find a way—summer work-schedules and unions notwithstanding.

Chance to Hire Proven Workers

Actually the summer employment of young people can work very much to the advantage of small businesses that seem most hesitant about summer hiring. Summer employment can give management the chance to size up the young person, to see the kind of character stuff he has, how well he works, and how he gets on with fellow workers. In these days when it is so difficult to fire, it is good to know what kind of worker you're hiring.

If a worker has what it takes, then the boss has a direct line to a tried and tested full-time employee when he graduates from school or college. And if he does not pan out during the summer it costs much less than hiring him as a full-time worker later on. These are the findings of companies that are using summer employment as a trial work period.

Father, Summer Jobs, and Taxes

Another distressing problem of summer employment of minors is the tax situation which penalizes father for his children's job success. It happens more often than you'd suspect that father loses a tax exemption because son earns more than the allowed $600 during the year. For example, it would cost a father with a $10,000 net income, after exemptions, $174 in taxes if his son earns over the $600 exemption limit and the son would then become a taxpayer too.

It strikes me there is something morally and economically unsound about a system that discourages the industry of youth, whether it be a policy of taxation, summer employment procedure, or clauses in a union contract. Part-time jobs, and especially summer jobs, today are important influences in the molding of the leaders of tomorrow. Perhaps, too, if we had busier "teen-agers," we might have fewer "teen-age" problems. Businessmen ought to begin now to make plans so that in the future summers our young people will find valuable work experiences available for them.

E. S. Marks Joins Carl Marks & Co.

Carl Marks, President of Carl Marks & Company, Inc., 50 Broad Street, New York City, foreign securities specialists, announces that his son, Lt. Edwin S. Marks, recently honorably discharged from the United States Army after four years of service, is now associated with the firm. He is a graduate of Polytechnic Preparatory Country Day School and attended Princeton University prior to his entrance and graduation from the United States Military Academy at West Point.

Blood Donor Group

B. G. Phillips & Co., Wall Street investment house, has formed a blood donor group representing 80% of its employees which made its first contribution at a bloodmobile unit in front of the Subtreasury Building on Wall Street yesterday.

The group, headed by Mortimer Armand, account executive, of 70 Lenox Road, Brooklyn, former Red Cross director in the Mediterranean and European theatre during World War II, was organized for the purpose of helping stock up blood supplies for the Red Cross gamma globulin polio prevention program.

The group includes B. G. Phillips, head of the firm, and his wife, Mrs. Dorothy Phillips, executive manager, both of Scarsdale, N. Y. Members of the group have pledged themselves to make contributions every 60 days.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Appointment of Ronald L. Hellen, Officer in Charge of the **Brooklyn, N. Y. Trust Office** at 177 Montague Street, of **Manufacturers Trust Company of New York**, as a Vice-President was announced by Horace C. Flanigan, President of the company on Aug. 20. Mr. Hellen began his banking career in 1924 with the State Bank, which merged with Manufacturers Trust in 1929. In 1943 he was appointed an Assistant Vice-President. Mr. Hellen is a Director of Dessart Brothers, Inc. and is a member of the Brooklyn Bankers Club, etc.

* * *

Carl A. Miller, senior Vice-President of the **Irving Trust Company, New York City,** died on Aug. 23, of a heart ailment. He lived in Ardsley-on-the-Hudson. He was 62 years old.

Mr. Miller's association with the trust company, then the Irving National Bank, started soon after the end of World War I.

* * *

Norman F. Lovett of 320 East Seventy-second Street, New York City, and New London, N. H., an officer of the **Empire Trust Company of New York,** died on Aug. 23, in Hanover (N. H.) Hospital after a brief illness. His age was 63.

* * *

East River Savings Bank, New York City, on Aug. 20, announced appointment of William J. Rommel, Assistant Vice-President, as manager of the new John Street branch.

Edward Allen was named assistant manager.

* * *

The First National Bank of Elmsford, New York, increased its common capital stock from $100,000 to $120,000 by sale of new stock, effective Aug. 21.

* * *

Robert E. Tuttle has been named Vice-President of the **First National Bank of Roselle, N. J.,** Russell J. Apgar, President of the bank announced on Aug. 19. Mr. Tuttle also is Cashier and Trust Officer. He joined the bank in 1946 and before that had been with the National Bank Examining Division.

* * *

Plans to open a new branch office at 3701 North Broad Street shortly before the end of the year were announced on Aug. 20, for **The Provident Trust Company of Philadelphia** by W. R. K. Mitchell, Chairman and B. F. Sawin, President. They stated that in addition to regular banking services, drive-in-banking facilities, ample parking accommodations and trust consultation service will be provided. The new office will be located on the street floor of the Beury Building. Messrs. Mitchell and Sawin stated that notices will be mailed to stockholders on Aug. 24, calling a special meeting on Sept. 15, to vote on the proposal. The action will also require the approval of State and Federal regulatory bodies.

* * *

Standard State Bank, Chicago, Ill., celebrated its sixth anniversary last week. It was on Aug. 16, 1947 that the bank first opened its doors when more than 1,000 accounts were opened.

Today Standard State serves more than 29,000 customers and its total resources have reached $17,839,892. Six years ago the bank began with the largest capital account of any new bank that had opened outside Chicago's Loop, in the then past 15 years. Here is a chart showing the growth of the bank through the years:

Standard Bank Growth Record

August, 1947	$610,762
Dec. 31, 1947	2,236,083
Dec. 31, 1948	5,241,884
Dec. 31, 1949	7,471,731
Dec. 31, 1950	10,163,662
Dec. 31, 1951	13,011,364
Dec. 31, 1952	16,408,026
August, 1953	17,839,892

* * *

The Live Stock National Bank of Omaha, Nebraska on Aug. 14, increased its common capital stock from $1,000,000 to $1,500,000 by a stock dividend effective Aug. 17.

* * *

Henry G. Blanchard has been elected Executive Vice-President of the **Commercial National Bank, Kansas City, Kansas** in an action by the board of directors of the bank.

Mr. Blanchard came to the Commercial National Bank in April of 1947 as a Vice-President from the Nodaway Valley Bank at Maryville, Mo., where he was cashier. He has been in charge of the correspondent bank department at the Commercial National bank prior to being assigned Executive Vice-President.

* * *

Eight men completing 25 years of service with **Bank of America National Trust & Savings Association of San Francisco,** this month were this week (Aug. 13) presented diamond-set service pins by A. J. Gock, chairman of the bank's board of directors.

The new Quarter Century Club members are: H. H. Fraser, manager, San Fernando branch; C. Leo Rachford, assistant manager, Arroyo-Colorado branch, Pasadena; Harold C. West, Palm Springs branch; John Globe, assistant cashier, Clarendon-Pacific branch, Huntington Park; Joseph D. Rolle, assistant cashier, International office; Carl F. Lambe, Lincoln Heights branch, Los Angeles; Raymond L. Eccles, assistant cashier, and Richard G. Ahrens, pro-assistant cashier, from San Diego main office.

* * *

On the recommendation of Frank N. Belgrano, Jr., President and Chairman of **Transamerica, San Francisco, Calif.,** the corporation's Board of Directors on Aug. 24 authorized the establishment of a completely equipped investment department with a view to improving the results of Transamerica's big investment operation.

Mr. Belgrano said the new Transamerica facility would be a counterpart of those maintained by many large financial organizations with an important portfolio of securities. It will provide analytical and counselling service for Transamerica's many subsidiaries.

Selection of the executive to head Transamerica's important new operation also was revealed when Mr. Belgrano announced that Willsie W. Wood had been appointed a Vice-President of the corporation, effective Sept. 1. Mr. Wood is resigning his position with the General Paint Corporation to join Transamerica. He has had vast investment experience, having started his financial career in 1927 with the Wells Fargo Bank & Union Trust Co. in San Francisco. Prior to his affiliation with General Paint he had a long career in the management of security portfolios and investment analysis with the Bank of America N. T. & S. A. He is a member of the Security Analysts Society of San Francisco, and last year was a member of the society's board of governors.

* * *

The Valley National Bank of Alhambra, California by the sale of new stock, effective Aug. 21, 1953, increased its common capital stock from $200,000 to $220,000.

* * *

By a stock dividend effective Aug. 19, **The First National Bank Bellflower, California** increased its common capital stock from $100,000 to $400,000.

* * *

The capital of the **First National Bank of Pecos, Texas,** has been increased, as of July 31 from $150,000 to $210,000; $30,000 of the increase resulted from a stock dividend, while the additional $30,000 came from the sale of new stock.

Burnison Opens Office

WOLF POINT, Mont. — W. E. Burnison is engaging in a securities business from offices here.

Felix Arnheim Opens

Felix Arnheim is engaging in a securities business from offices at 325 Riverside Drive, N. Y. City.

Continued from first page

As We See It

economic system must be planned and managed by the governments of the nations of the free world, but rather that these governments must see to it that opportunity in the form of freedom of action and a friendly climate is provided for such a development. We should hope that he has the faith that we feel that, given such opportunity over a reasonable period of time, private initiative responding to natural forces would build a far sounder and more enduring "economic system" in these countries than any government or group of governments could ever hope to build.

No Managed Economy

We find ourselves returning again and again to this aspect of the matter as we read and re-read not only what the President has to say in this letter but all that is being said in Washington and in political circles throughout the nation. No one will applaud more vigorously than we the President's observation that "free nations must find ways to earn their own living in the world." "Our part in aiding that effort" must, however, be that of doing all that we reasonably can to see that we do not stand in the way of it. We should prefer to say that we "must search diligently" to be sure that we do not obstruct any course of events which would naturally "widen and deepen the channels of economic intercourse among the free nations" — or among all nations which are willing to proceed in the same way.

It would be as well if all of us understood at the outset that some very basic questions are involved in all this. It would likewise be helpful if a very general realization could be reached that despite all the popular cry about "trade not aid" certain old and very strong opposition exists among large sections of the population to changes which are essential to greater freedom of trade in this country. Part of it is traditional. For a long while the Democratic party continued to talk free trade, but gave little evidence that it really meant what it said. Candidate Alfred Smith in 1928 led his party to give up for all practical intents and purposes its rather phony free trade position. Mr. Smith's action was quite in keeping with the spirit of the times. Farmers who had been the backbone of anti-protectionism had turned rather to the idea of finding ways and means of getting protection for themselves rather than trying further to free themselves of the burdens imposed upon them by "protection" for the manufacturers.

But there is more than tradition to oppose making it easier for foreign competitors to enter our markets. Long decades—not to mention longer units of time—have stimulated the growth of branches of industry which would find the conditions with which they have to cope vastly different if protection were removed. They in some cases might well find it disastrous if protection were suddenly and drastically eliminated or reduced. Time was when matters of this sort were left largely to the owners and managers of enterprises likely to feel such changes most severely. This, however, is an age of labor unions. These organizations are led by men who know their way around the world, and wage earners are no more disposed to make personal sacrifices for the good of other elements in the population than are investors or owners of property.

Some Will Get Hurt

It may well be, as many are inclined to believe, that the extent of increase in imports following drastic changes in the tariff and other barriers can easily be exaggerated, particularly when the dollar proceeds of such sales is compared with what has become known as the "dollar gap." No one could well deny, however, that individual branches of industry and perhaps individual enterprises would feel the change greatly. Let there be no doubt of our position. We believe heartily in greater freedom of trade among nations, and particularly between this country and other countries. We, in fact, are prepared to go so far as to say that we hold fully free trade so far as realistic national defense considerations permit to be an ideal toward which we should constantly strive. Yet we no more than any other observer who feels impelled to use his common sense can ignore the fact that substantial changes in such a direction in the circumstances now existing involve real problems.

Both Economic and Political

These problems are both economic and political. Neither labor nor capital is anywhere near completely mobile. Investments made in sheltered industries can not be suddenly and easily be transferred into other branches when doors are open to competing products. It is scarcely to be expected that wage earners whose roots go deep into local communities and special industries would be willing to pull themselves up from their accustomed soil and migrate. These are practical problems which must be considered, but not permitted to block needed alterations in international trade arrangements. Needless to say that the other extreme of placing multitudes of such persons or such investors in effect upon the public payrolls is not to be approved or condoned. Whether viewed as the politician regards such matters or as seen through an economist's spectacles, this Commission now appointed by the President and about to begin its work has a difficult task to perform.

As to our attitude toward foreign nations, plain talk is in order. "Trade" may not be the full answer—it probably is not—but it furnishes a beginning which foreign nations may profit by provided they are willing to earn their own way by hard work.

Continued from first page

"If the Cold War Stops!"

what do we mean by the glib phrase, "If the Cold War Stops?" Now that there is an armistice in Korea do we also mean that there must be a marked change in the aims of Russia and the character of her leadership? Do we mean that all must be well in Indo-China? When we say, "If the Cold War Stops," are we again dreaming of that peace which we thought would promptly follow our victory in Europe in 1945?

Ralph Hendershot, Financial Editor of the New York "World-Telegram," recently pointed to the possibility of Russia pulling out of Europe entirely within the next year—leaving its satellities to their own devices. He says that some U. S. bankers believe this is not by any means an impossibility in the next 12 months. I have no tea cup that lets me read the future and say whether this event is likely. Mr. Hendershot is surely right in thinking that such a move would have a profound effect on the psychology of this nation and would doubtless encourage again our eager wish as a people to believe that we can have the boys back home, no budget for defense, tax cuts, peace and security.

Will Not Liquidate Our Defense Industry

But I rather doubt that the world will soon look so peaceful to an experienced and skeptical America that we will quickly liquidate our defense industry as we have in times past. Furthermore, there is a very rapid obsolescence factor in weapons. The old must be replaced continually by the new—because the tactical and strategic advantages of new weapons and of new facilities may mean the difference between victory and defeat — between lives lost and lives saved. In spite of the heavy pressures for economy and tax reductions, I think we will have substantial defense expenditures for the foreseeable future. Certainly in the case of Worthington, I don't believe we should expect to lose all our Government orders.

But there are some other factors we must consider. There has been an undercurrent of caution about a recession in this country for a long time. Are we assuming that a recession, for example, might be triggered by a decline in Government orders—or are we talking about one which would not be due solely or even principally to that cause?

There is, as you know, conflicting counsel on this point.. The pessimists have been continually forced to revise their calculations (although we have had strong corrective swings since the war). The Communists built their postwar policy on an expectation of a U. S. depression in the postwar period. For that matter, it is a main tenet of Marxist dogma that capitalism survives mainly on war and threats of war. The recent softening in the Moscow line may in part be a reflection of their hope that the United States will collapse if it can be persuaded to go out of defense production.

There are economists and others who feel that the nation has enjoyed a very long period of relatively good times and that a change is due. They point to vastly increased productive capacity; high break-even points in industry; high labor costs; the completion of more than seven million new homes; completion of the job of satisfying the many needs unsatisfied during the war period; the fear that the automobile industry because of its record production has overrun its market, and a great many other influences.

On the other hand there seems to be very little support for the notion that any kind of severe correction is imminent. The advocates of the view that even a correction is not in the offing point to such powerful counter-influences as the rising population in this country—where every 12 seconds we have a net gain of one new mouth to feed, one more human being to clothe, one more bundle of desires and expectations to satisfy. One every 12 seconds—perhaps 80 new customers net since I started to talk to you here this evening — more than 8,000 new fellow citizens just since you met here yesterday morning.

For those of you who didn't bring your slide rules, I should say that this all adds up to a net of 2,600,000 new customers a year.

The statisticians told us that the population of the United States would increase 14% between 1950 and 1960 — and the population of school age will increase 36%. Translate this population trend into such things as teen-agers wanting automobiles—and automobiles needing roads—and young couples needing homes, and you are reminded that the thing we are trying to understand and describe is a dynamic, not a static economy—hard to pin down, like the last little pig in the barnyard who ran so fast he was hard to count.

No Severe Let-Down Imminent

We are living in a vigorous, changing, unpredictable world where statisticians are continually being double-crossed by the facts of life.

It seems to me if a period should arrive when our defense expenditures can be on less of an emergency level—which I hope we can expect—and if this change should tend to cause or precipitate a recession, causing any substantial amount of unemployment, other forces will come into play promptly. I am quite sure that the Administration now in Washington will be very quick to act and be effective in such a situation. The will of the American people in this regard is quite clear. The people of this country will not tolerate any more violent depressions. If a choice must be made between two or more evils, I am sure a depression with widespread unemployment will no longer be the evil acceptable.

I remind you that President Eisenhower urged Russia to withdraw from cold-war-mongering so that the money now being poured into armaments could be poured into projects for the rehabilitation, advancement and enrichment of mankind throughout the world. This policy is, of course, now being carried out in South Korea. Congress has already granted an emergency appropriation of $200 million toward the reconstruction of that devastated land, and there are indications that total U. S. outlays for aid in Korean reconstruction may eventually reach $1 billion.

At home, meanwhile, there is a widely recognized need for public works. The average life of all road surfaces in this country is 12 years. The average life of road beds is 17 years. The U. S. Bureau of Public Roads estimates that 44% of heavy construction roads in service in this country in 1950 will be worn out by 1960. About 74% of intermediate roads and 90% of the lightest construction roads will be worn out by then. Meanwhile the need for new roads is being felt everywhere as the automobile population mounts to the 40-million mark.

Our people at Worthington estimate that there is a prompt and immediate need to spend something like $45 billion for all roads and highways in this country. The toll road — the turnpike — is one answer to the problem of financing our roads without Federal help.

The need is pressing, and we anticipate a rising curve in roadbuilding programs in the future. Because we manufacture pavers, portable concrete mixers, truck mixers, big stationary ready-mix plants, and a great variety of equipment for contractors, we would gain from such a large-scale roadbuilding program.

Public Works in Offing

Another major area of importance to us, is public works. Municipal government financing may be needed in some cases but in many instances public works can be shown to be self-liquidating. The school problem is great. So is the hospital problem. But there is a field of special interest to us and of special interest to the nation. As population has risen—as more and more people have trended toward the urban communities—the need for expanded and adequate water supply systems has developed throughout the country. It is a need accentuated by the declining water tables nearly everywhere. Many communities and individuals in rural areas have found it impossible to rely on wells and have been forced to go farther afield for their water resources. This is a situation which will get worse rather than better and requires increasing municipal attention to reliable water supplies. Furthermore, as you know, there is a high obsolescence factor in city water pumping stations. The present equipment is often overloaded and out of date.

Allied to this is the problem of sewage disposal, which is acute in many communities. More and more attention is being given—and must be given—to the proper modern handling of sewage—to avoid stream pollution and in the interests of economy and public health. In industry, we find increasing pressure on those manufacturers who have waste disposal problems to solve them in some way other than by dumping their wastes into streams or municipal sewage systems.

Add to these fields the problems of flood control, reclamation, drainage control and irrigation, and you have a substantial pent-up demand.

Again speaking for ourselves, we are expanding rapidly in a field which seems to us to have great—even fantastic promise: Air Conditioning. I would not dare stand before such a wise and sober audience as this and recite the market possibilities which sales-minded individuals in the air conditioning field take as a matter of course. As a matter of fact, I frequently discover that even the sales-minded people find themselves in the unfamiliar position of understating their expectations. Air conditioning sales have passed the $1 billion mark, and there are confident predictions they will reach the $5 billion mark in 10 years.

It is our current expectation that our large installation air-conditioning and refrigeration sales will be at least 25% greater by the end of next year. Under this heading comes the air-conditioning of large buildings like the Mellon Art Gallery in Washington, Saks Fifth Avenue in New York, and the CBS Television Center in Hollywood, as well as of great industrial plants like Consolidated Aircraft's in Fort Worth, with its 13,000 tons of refrigeration capacity. It also includes cooling systems for the industrial processes of companies like Humble Oil and Lion Chemical.

Since we are one of the three largest companies in this large commercial field today, we could count on our expansion in this division of our business alone to fill substantially any gap produced as a result of an end to Government orders.

In the commercial field which uses smaller, packaged, air conditioning units — in restaurants, stores, offices and similar places —we expect a 70% increase in our sales by the end of 1954.

Residential Air Conditioning

The most spectacular gains are likely to be made in the residential field, however. This we expect to be an area of great opportunity and promise. And we are thinking not only of summer air conditioning, but year-round air-conditioning. The day of the twelve-months air-conditioned home is upon us. Engineering will make the home a vastly pleasanter and also healthier place. The manufacturing problems are well on their way to solution throughout the industry—the cost problems are being rapidly licked —installation problems are still with us, but they are being increasingly overcome by packaging the job so that installation is relatively simple and foolproof.

Central residential systems installed either in older houses with warm air systems or in new construction as part of a year-round air conditioning unit do for a house what five or six room-coolers cannot do; cost about half as much; provide central automatic control; are much less noisy and afford better air distribution. It is the consensus that sales of central systems will go up as fast as room units—of which one million may be sold in 1953, substantially better than a million in 1954, and perhaps 3,400,000 in 1957.

Worthington is building a new plant in Decatur, Alabama, to be used exclusively for the production of packaged air-conditioning equipment. We are rushing completion of this plant, because our present facilities at Holyoke are insufficient for our program and, moreover, are needed for other work. By the year's end we expect to be producing equipment there for the 1954 market.

In taking advantage of the opportunity in the air-conditioning field the Worthington Corporation is following a policy of broad diversification. That's the reason a year ago we changed our name from Worthington Pump and Machinery Corporation — a fine old name which we were very proud of—to the simpler and more accurate Worthington Corporation. We intend to be a dynamic and energetic force in many fields which seem to us fitted to our particular genius — our particular skills and know-how—our special engineering traditions. We intend to move quickly into other fields which have special promise — which are on a sharply rising growth curve.

Let me remind you that by 1961 it is expected that the output of chemical products will be double what it is today and something like half of all synthetic organic chemicals will be made from oil or natural gas. We foresee many and expanding opportunities for our company in this field. Compressors are the heart of chemical and petro-chemical plants. Gases are compressed to pressures as high as 15,000 lbs. per square inch to produce the ever-widening list of chemicals and synthetics derived from coal, petroleum, air and other basic sources; and on polyethylene processes, pressures up to 25,000 lbs. per square inch may be required.

Creating New Products

The genius of American industry lies in its ability to create new products which stimulate and increase consumer demand. The chemical industry's phenomenal growth has resulted largely from new products which came out of the research laboratories. Union Carbide and Carbon Corporation, for example, reports that over one-third of its earnings since 1939 have come from new processes and from new products which did not exist in commercial quantities prior to 1939 and which resulted directly from research and development.

Perhaps at this point I can summarize my own attitude toward the question of the evening in this way:

First, in my opinion, speculation about a major recession is today entirely unwarranted by the facts. I just don't think it is in the cards.

Second, the unfilled needs and wants of Americans is a tremendous pressure on our economy today—far greater perhaps than most people recognize. This pressure coupled with the dynamic planning of modern American industry and the constructive policies of the present Administration can, in my judgment, fill any possible valleys occasioned by a decline in defense production. And remember, the American industrialist knows that peace business is far better than war business any day.

Third, speaking for ourselves, Worthington has been in business for 113 years and the future never looked better to us.

An Engineering Center

I would like to comment briefly in closing on some forward planning that is close to all of us here. I refer to the project of Columbia University to build an Engineering Center, comparable to its one-time-pioneering Medical Center.

The New York "Times" said of this undertaking: "All the resources of the University will be tapped, so that students at all levels will listen to professors who are leaders in the physical as well as in the social and political sciences and the humanities."

The "Times" suggests clearly the new demands which are being made and which will be made on the engineer in our dynamic and ever-changing society. We at Worthington are very conscious of these demands. We took into our organization over 100 young engineers last year — 93 from this country and 18 from abroad. We believe our plans require us to get or develop a more widely educated engineer in the future. He will be no less an engineer. In fact, he will be as good as his engineer father—and that, if I may salute the mature members of this audience, is very good indeed. I remind you that Columbia has produced engineers of the greatest distinction — William Francis Gibbs, Grover Loening, Ambrose Monell, Sir Stephen Pigott, David Steinman, Edwin Armstrong, and many others, including Charles Edward Lucke, who was our particular friend and a consultant to our company for many years.

I have in mind the need for the engineer who sees beyond his engineering — for whom engineering is only a means to great ends — who recognizes that the challenge does not stop with the machine but extends out to the efficient use of that machine under a great diversity of new conditions and circumstances in a dynamic society. The New York "Times" statement that the Columbia Engineering Center would pay attention to the social sciences particularly interested me. We have a need for young men with engineering training who are also aware of the existence of a science called economics. (Maybe economics is an art, rather than a science.) But my point is that the engineer who sees the complex of social, industrial, political, and economic forces at work is greatly needed today.

John Hume, Jr., With Fordon, Aldinger & Co.

DETROIT, Mich. — John Hume, Jr., has become associated with the firm of Fordon, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. Mr. Hume, previously was associated with E. E. MacCrone & Co., E. A. Pierce & Co., and Rathbun & Co. During the past 13 years he had his own business in Grosse Pointe.

John Hume, Jr.

Walter M. Wells Joins Dempsey-Tegeler & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Walter M. Wells has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Wells was formerly with Douglass & Co. and First California Company. In the past he was an officer of Maloney & Wells, Inc.

Form Cayias Brokerage

SALT LAKE CITY, Utah—J. L. Cayias and O. L. Cayias have formed Cayias Brokerage Co. with offices at 39 Exchange Place to engage in a securities business.

Walter Daniels Opens

(Special to The Financial Chronicle)

LARAMIE, Wyo. — Walter E. Daniels is conducting a securities business from offices at 1820 Garfield.

Alexander McGill

Alexander McGill passed away at the age of 69 after a long illness. Mr. McGill before his retirement was in the securities business in New York.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Underwriting results of the major fire and casualty insurance companies for the first six months of the current year were far from uniform. Some institutions showed very subsantial improvement over the results of earlier periods while in other instances unsatisfactory underwriting continued to restrict profitable operations.

As a general rule most of the casualty companies experienced an improvement in underwriting. Losses were lower relative to the volume of business and with the higher rates that have been in effect for the past year, underwriting showed a sharp gain over the first half of 1952. Of course there were variations from this general trend in evidence. A few companies were still endeavoring to adjust themselves for unfavorable earlier periods and underwriting losses were not unusual. At the same time, particularly among the medium sized units, substantial underwriting profits were reported.

Among the companies writing fire lines primarily the reports showed an even wider variation. One of the major influences on underwriting operations in this connection was the numerous wind storms which swept through certain densely populated areas of the country with severe damage to insured property. Where a company had a relatively high concentration of risks in such areas, losses were correspondingly heavy. In other words there was a measure of "luck" in how heavily a particular company was hit by these storms which in turn had a direct bearing on underwriting for the period.

Where losses were modest such companies generally had a favorable period with underwriting near the level of the first half of 1952. Where losses were substantial the statutory gain was lower than in the comparable period of a year earlier.

Two of the medium sized groups writing both fire and casualty business, which made more favorable showings in the first half, were the American Insurance Company and Glens Falls Insurance Company. A summary of their operating statements, excluding certain capital gains and losses, for the first half of 1953 and 1952 are shown below.

	American Insurance		Glens Falls Insurance	
	1953 $	1952 $	1953 $	1952 $
Net Premiums Written	41,401,117	41,329,116	37,985,938	33,733,747
Increase in Unearned Premium Reserves	2,019,248	4,384,726	3,384,532	3,455,573
Net Premiums Earned	39,381,869	36,944,390	34,601,406	30,278,174
Losses & Loss Exps.	21,360,416	20,448,341	19,511,340	17,354,009
Underwriting Expenses	16,438,095	16,040,396	14,888,081	13,573,971
Total	37,798,511	36,488,737	34,399,421	30,927,980
Underwriting Profit	1,583,358	455,653	201,985	—649,806
Investment Income	2,125,898	1,786,136	1,254,144	1,130,939
Total Income Bef. Tax.	3,709,256	2,241,789	1,456,129	481,133
Income Taxes	1,210,748	599,500	413,119	—43,538
Net Income	2,498,508	1,642,289	1,043,010	524,671

Because of differences in the composition of insurance lines written by the two companies, the operating results are not exactly comparable. For example American Insurance has a slightly higher participation in fire lines while Glens Falls is more heavily weighted in some of the automobile liability lines. These variations undoubtedly account for part of the differences in underwriting results in the two periods.

The encouraging feature of the above reports was the improvement in underwriting. Both companies were able to report a statutory profit considerably better than in 1952. Indeed Glens Falls converted a sizable loss reported a year ago into a profit in the current period. In both instances the trends were favorable and encouraging for operation in the last half.

Another interesting feature in the above figures was the gain in investment income. Earnings from this source were higher by more than 10% for each company reflecting a larger volume of invested funds, a well-maintained level of dividends and a better return on fixed income securities.

Taxes likewise were sharply higher as a result of the improved underwriting and the larger investment income. Nevertheless final net income for period showed substantial improvement.

As indicated before these results are not necessarily typical of the industry. In fact the showings of American Insurance and Glens Falls are considered better than of most other similar organizations. This does not mean that comparable results will be realized in the last six months. As was shown in the first half the incidence of losses is capricious. However, based upon results so far and current indications, the year could continue to show improvement.

Graham Reid Forms Co.

DALLAS, Tex. — Graham Reid has formed Graham Reid & Co. with offices in the Republic Bank Building to engage in a securities business. He was formerly local manager for Waddell & Reed, Inc.

Forms Jos. Rose Co.

DENVER, Colo.—Joseph S. Rose and Joseph S. Rose, Jr., have formed Joseph S. Rose & Co. with offices in the Silver State Building to engage in a securities business.

Continued from first page

A Cheerful View of The Stock Market

ahead because of the generally conceded prospect of at least a moderate readjustment in business activity.

No Drastic Economic Collapse

It might be in order to point out that there is no danger in the foreseeable future, at least, of a 1929-1932 collapse in our economy. We have too many safeguards against such a theoretical possibility, including guaranteed bank deposits; unemployment compensation; Social Security for those of retirement age; an entirely different attitude on the relative importance of budget balancing versus "full employment"; and a scale of Federal taxing and spending which virtually guarantees an inflationary deficit of at least \$10 to \$15 billion a year on a decline in activity of the magnitude of the 1937-1938 recession. Since I am a firm believer in the observation that "The more things change, the more they are the same," I think we will continue to have cycles in both business and the stock market. The best we can hope for is a lessening of the amplitude of the cycle as a result of enlightened public attitudes, just as we have been seeing a reduction in the incidence and death rate from tuberculosis and pneumonia because of the progress of medical science.

The probabilities at the moment continue to favor only a moderate and rotating business readjustment during the period immediately ahead, rather than even a recession of the magnitude of 1937-1938. Some of the supporting factors in our economy are not as strong as they were a year ago, but there appear to be few weaknesses of sufficient importance to require a major depression. Construction activity may taper off slightly next year, but no substantial decline seems likely until money becomes as scarce as it was in 1919 or 1929, and/or vacancies reach the prewar level of at least 5% during periods of relatively full employment. (This could support a demand for over one million homes a year, on the average, for the next three or four years.) Public works projects, including super-highways, schools, etc., promise to hold at a very high level through at least 1954.

Fears of industrial over-expansion seem to be a little overdone, when we take into account the fact that some of the building in recent years has been strictly for armament work, and the further fact that high wage rates make it desirable to try to increase efficiency by providing more space per worker in many instances, and to try to eliminate the necessity of Saturday work or the second or third shifts. Consumer credits are uncomfortably high, but they are only equal to about the 1941 ratio to disposable income, and the theoretically "excessive" amount of \$4 or \$5 billion is equal to only about 2% of one year's retail sales. Business inventories are also on the high side, but the latest figures (as of June 30) were equivalent to only 1.6 months sales at current levels. (A 10% decline in sales would raise the ratio of inventories to the equivalent of only 1.8 months requirements.)

I cannot help but wonder if some of the current worries about the business outlook are not due to over-emphasis on the dollar totals of such items as consumer credits, inventories, and plant investment, without relating these figures to the changed value of the dollar, and the tremendous growth in our *working* population over the past 16 or 17 years. (The emphasis on the material side of life has made it necessary, and our changed social attitudes have made it acceptable, for more women to work. This adds much more to the effective buying power of the public than does an increase in the population via the birth rate.)

1937-Type Recession Already Discounted

In spite of the high level of the market averages, I believe that an excellent case can be made for the conclusion that *the majority of stocks* have already discounted something close to a 1937-1938 type of business recession. There would certainly seem to be sounder grounds for optimism as to the status and prospects for most issues than was true a year or two ago even though Wall Street is now much more pessimistic than it was in 1951 or 1952. The latter is due in large measure, of course, to the fact that "Wall Street psychology" is dominated, or at least greatly influenced, by the mass of brokerage house literature and the widely disseminated letter services. The judgment of both of these groups tends to be influenced by the volume of their own business and, historically, volume of trading or market interest tends to move with prices.

It is only necessary to go back to May and June, 1949, when volume of trading was running at less than 900,000 shares a day, and contrast Wall Street psychology at that time with the optimism which prevailed in January, 1946, when sales were running at a rate of more than two million shares a day. (There are exceptions to this over-all observation, of course. Some brokers are always optimistic because of their fortunate nature, and some because it is considered good business and a safe attitude to take from a long-term standpoint. And there are a few individuals in every profession who can always keep their feet on the ground in spite of continuous pressures to go along with the crowd.)

Bullish Factors

Among the reasons for believing that the *majority* of stocks are in attractive buying areas, in spite of the level of the averages, are the following:

(1) More than 70% of the listed industrial issues have recently sold down to, and/or are currently selling at, well below the levels touched in 1946—more than seven years ago—in spite of the substantial decline in the value of the dollar since that time, and what is more important, in spite of a tremendous increase in assets because of the greater-than-average rate of earnings "plowbacks" in the past seven years. This fact is obscured by the market averages, which are dominated by the type of issues whose floating supply has been gradually absorbed by the Pension Funds and Mutual Investment Trusts, which must concentrate most of their buying in the companies with very large capitalizations.

A breakdown of an index of my own, which is composed of 35 industrial stocks of average or above average quality, reveals that the ten most obvious "Pension Fund" stocks in this group were selling at this year's composite lows, at 30% *above* their average 1946 highs, or the equivalent of *275* in the Dow-Jones Industrial Average. In contrast, the remaining 25 issues, at their recent lows, were quoted at 12% *below* their average 1946 highs, or at the equivalent of about *190* in the Dow-Jones Industrial Average. (The long-term rate of growth of earnings in both groups of stocks happens to be identical.)

Those who may be waiting for the averages to reflect the extent of the readjustment already witnessed in the vast majority of stocks may have overlooked the *cumulative* effect that the persistent Pension Fund buying of certain issues is having in preventing a normal full "correction" in the prices of these stocks by absorption of the historically small floating supply.

(2) More than 75% of the listed industrial stocks have already experienced declines ranging from 20% to 50% or more from highs touched within the past two and one-half years. The average decline in this group of issues appears to be over 30%. This has been obscured in the market averages by the "rotating" nature of the 1951-1952 highs. duPont, for example, reached its 1951-1952 high in May, 1951, when it sold up to 102½ and then sold down to 79½ in May, 1952. On the other hand, General Motors, which in a sense is one of the components of duPont, did not reach its high during this period until last December, when it sold up to 69½ as compared with a 1951 peak of 1954. Bethlehem Steel recorded its high to date in January, 1951, when it sold up to 60, or about 25% above its subsequent low, and more than 10 points above recent quotations. (Incidentally, by the end of this year, Bethlehem will have plowed back at least \$17 a share in its property since the stock sold at 60, or the equivalent of more than 30% of the current price of the stock.)

Low Demonstrated Price-Earnings Ratios

(3) Many stocks are currently selling as low in relation to peak or demonstrated earning power in recent years as was the case at their lows in 1938. For example, American Smelting at 31 is (or was) selling at the equivalent of 4.3 times the 1950-1951 earnings. At its low in 1938, the price of 11¾ for the present shares was equivalent to 4.2 times the 1936-1937 level of earnings. (Incidentally, the 1938 low for American Smelting was followed by a rise of more than 100% within a year, and of more than 150% before earnings were to exceed the 1936-1937 levels.) Bethlehem Steel at its recent low was selling at 4.0 times its 1950 earnings, and 4.7 times earnings for the second-best recent year, as compared with its 1938 low for the present stock (13½) of 5.2 times 1937 earnings and 3.6 times the peak (1929) earnings of the preceding 10 years.

To be sure, at their 1938 lows these stocks had participated in a bear market decline of major proportions in the Dow-Jones Industrial Stock Average, *but from levels in 1937 which were assuming that the earnings for that year were "normal." In contrast, the price-earnings ratios at the 1950 and 1951 peaks were, in most cases, only about one-half to two thirds of those recorded in 1937, as there was a more widespread recognition of the fact that these earnings might prove to be abnormally high.* (Of course there were other factors which had a tendency to keep price-earnings ratios at below prewar levels in recent years, but the fact remains that stocks were less vulnerable in the past year or two, because they did not sell at very optimistic levels in relation to peak earnings.)

(4) As a result of an unusually high rate of earnings plow-backs during the past seven years (about three times the average rate of the preceding seven years), basic asset values behind most stocks have been rising sharply. For example, Allied Stores, which sold above 60 in 1946, and is currently quoted at about 38, has reinvested approximately \$23 a share in this expanding chain of department stores since January, 1946. Certain-teed, at 13, is selling at less than its plow-backs of more than \$14 a share since the middle of 1946. (Its 1946 high, before these plow-backs, and when its balance sheet was not nearly as strong as it is today, was double current levels!)

* * *

Propitious Buying Time

It might be argued that the examples cited above are issues of companies in industries whose near-term outlook is not "favorable." However, isn't that the time to buy stocks for long-term holding? In theory, building material stocks should have been avoided when we were catapulted into World War II in December, 1941, as it was obvious that building activity would be restricted during the forthcoming period of manpower shortages. By the end of the war, of course, the outlook for the building industry improved drastically, in view of the pent-up demands for housing and commercial projects. In December, 1941, Certain-teed was selling below 2, Flinkote at 9, and U. S. Gypsum at 38. Earnings were held down during the war period and, as had been expected, the earnings picture from 1947 on turned out to be excellent. However, these and most other building stocks proved to be definite purchases in late 1941, and good sales, at least temporarily, in 1946, when Certain-teed sold up to 26; Flintkote at above 46; and U. S. Gypsum at 132—prices which have not been exceeded since that year.

What I am trying to show, of course, is that stocks are usually attractive purchases when they are basically cheap but unpopular because of the near-term outlook. Anyone who wanted to buy stocks when everything seemed to be running smoothly and the near-term outlook was quite good had a chance to acquire such former growth favorites as Celanese in 1951 at well above 50; Parke Davis in the same year at above 60; and Kennecott Copper in early 1952 at above 90. The prevailing view in 1951 was that Celanese and Parke Davis should never be sold, and there were no clouds on the horizon for Kennecott, since earnings were to step up sharply with the termination of price controls. On the basis of my own contrary type of thinking, I cannot help but feel that these issues are much better purchases at current levels (23-24 for Celanese; 33-34 for Parke Davis; and 63-64 for Kennecott) than they were two years ago, even though the intermediate outlook for earnings might be considered the reverse of what it was when these stocks were selling at 50% to 100% above current quotations.

In connection with my reference to the increase in basic values of individual stocks because of the unusual, large plow-backs in recent years, it is important to remember that the investment of retained earnings does not guarantee additional earning power. This is particularly true where rates or prices charged for goods or services are subject to regulation. There is little question, however, but that the fundamental positions of the majority of well managed companies have been greatly strengthened by plow-backs over and above the charge-offs of plant and equipment which was no longer paying its own way.

Some companies, such as Certain-teed and Interchemical, have been not only improving their efficiency as a result of intelligent reinvestment of a substantial portion of their income during the past seven years, but have also greatly improved their balance sheet positions. (The latter stock, which at 23-24 is selling on a yield basis of more than 8%, is being held down by some rather superficial but widely circulated analyses. These overlook the fact that sales of inks to the publishing business now account for less than 20% of a rapidly growing and diversified volume. In a sense it is typical, however, of the real values available today among issues which have not been supported by Pension Fund buying.)

There are a number of intermediate technical approaches which also suggest that the lows for the market as a whole for this year were probably seen in mid-June. The decline from the January highs merely retraced the pre-election "buying stampede" just as the shake-out in 1946 retraced the premature market celebration immediately following V-J Day. It may also be interesting to note that the market has been showing a definite tendency to reverse any trend in the first half of the year by sometime between early May and mid-July. In six of the past seven years, the lows for the year were seen during this period; in the seventh instance—1948—the year's highs were recorded in mid-June.

Market Not Representative

In summary, I think that any appraisals of the current position and outlook for the majority of stocks should take into account the fact that the market averages are no longer representative of anything more than a handful of issues. If we look behind the averages, we find that "the market" has experienced a sizable correction with many stocks selling at levels which discount a more substantial readjustment in the general business picture than seems likely to develop over the six to twelve months immediately ahead. Selectivity continues to be important, but since there are so many stocks selling at levels where the intermediate risks are now measurably smaller than they were a year or two ago, the building up or maintenance of rather fully invested positions in equities would seem to be warranted during the period immediately ahead.

Among the groups which appear to be particularly deflated at the present time are the building material producers, which are generally selling on a par with the prices prevailing in December, 1941, in relation to asset values and potential earning power; and the retail trade stocks, which now appear to be about as unpopular as they were overpopular in the Spring of 1946. The personal income tax reductions which will take effect in January may be of particular help to the retail trade industry, inasmuch as the marginal income available for spending in department stores will increase automatically with the reduction in personal income tax rates.

Model, Roland to Admit Robert Rosenberg

Robert Rosenberg will become a partner in Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange, on Sept. 1. Mr Rosenberg is a partner in Auerbach, Pollak & Richardson.

J. B. Scott Opens Office

MONTGOMERY, Ala.—John B. Scott has opened offices at [illegible] Woodley Road to engage in the securities business. He was formerly with George M. Wood & Co.

Mutual Funds

By ROBERT R. RICH

NET ASSETS of Affiliated Fund, Inc. increased to $245,839,989 as of July 31, 1953, the end of the third quarter of the company's fiscal year, as compared with $223,470,374 last Oct. 31, 1952, the close of the previous fiscal year, H. I. Prankard, 2nd, President, stated in the 77th quarterly report to shareholders.

On July 31 last, the net asset value per share was $4.87, compared with $4.70 on Oct. 31, last year. The company had 119,407 shareholders on July 31, 1953, against 110,486 last October.

Mr. Prankard pointed out that in the third quarter of the current fiscal year, no issues were eliminated from the company's holdings, while stocks of the following four companies were added: Lone Star Gas Company, convertible preferred; Mississippi River Fuel Corporation, common; Oklahoma Natural Gas Company, common; and Southern Natural Gas Company, common.

The five largest stocks groups owned by the company on July 31, 1953 were: electric light and power, 21%; natural gas, 11%; banking, 9%; store, 8%; and tobacco, 8%.

FINANCIAL INDUSTRIAL Fund, Inc. shareowners will receive both a fiscal year-end distribution from securities profits of approximately $423,500 and a quarterly dividend of approximately $151,250 on Sept. 15, 1953, Charles E. Bacon, Eastern Coastal States Regional Manager, New York, announced.

Mr. Bacon said that a dividend has been paid to shareowners every three months since Financial Industrial Fund was established in 1935. The 71st consecutive quarterly dividend of $0.025 per share will be paid for the three-month period ending Aug. 31, 1953. The fiscal year-end distribution from securities profits will amount to $0.07 per share. During the first nine months of 1953, shareowners have received additional quarterly dividends of $0.09 per share.

Financial Industrial Fund net assets reached an all-time high of $15,225,523 on Aug. 12, 1953, a growth of $3,286,275 in a year, Bacon disclosed. The Fund holds investments in 72 of America's leading companies.

In the last five years Financial Industrial Fund has increased 300% or $11,416,758. During this same five-year period shareholders have received a total of $1,956,508 in dividends, or $0.5526 per share, and $736,270 in year-end securities profits, representing $0.2101 per share. The Home Offices of Financial Industrial Fund, a diversified, and managed mutual investment fund, are located at Denver, Colo. Fund owners reside in 41 states and several foreign countries.

BOSTON FUND, for the three months ended July 31, 1953, reports gains in total net assets to $90,358,974. Shareholders increased to 24,218 and shares outstanding to 4,068,531 new high records for the fund. The net asset value per share as of July 31 was $22.21, not including a 35 cent capital gain distribution paid earlier this year.

A year ago the fund had 21,362 shareholders, 3,659,813 shares outstanding and total net assets of $85,591,462.

Major portfolio changes for the three months ended July 31 were as follows:

BOUGHT

Common Stocks—	Shares
American Optical Company	14,000
Buckeye Pipe Line Company	10,000
Merck & Co., Inc.	10,125
Texas Utilities Company	12,000

SALES

U. S. Treasury Bills, 2.25%, due 7-23-53	$1,500,000
Common Stocks—	Shares
Mountain States Power Company	17,000

PERSONAL PROGRESS

APPOINTMENT OF John Flint Sheldon as publications manager was announced by Distributors Group, Incorporated, national distributor of Group Securities, Inc., a mutual fund.

Mr. Sheldon, formerly with Broad Street Sales Corporation and the Home Life Insurance Company, will be responsible for advertising and sales promotion activities, and for the preparation of literature published for the five mutual funds and 15 industry classes offered by Group Securities.

A resident of Richmond Hill and native New Yorker, Mr. Sheldon serves as a Major in the Air Force Reserve and is a graduate of Williams College.

CLOSED-END NEWS

THE REPORT of The Equity Corporation for the six months ended June 30, 1953, shows net assets as at that date equivalent to $176.93 per share of $2 convertible preferred stock (preference in liquidation $50 per share), and $3.51 per share of the common stock after providing for the payment of the common stock dividend of 15c per share which is payable Aug. 28, 1953. Comparable figures for March 31, 1953, were $183.42 per $2 convertible preferred share, and $3.66 per share of common stock.

Inflationary Gust Blows Dollar's Hat Off

A gust from the big wind of economics—inflation—blew the hat off the consumer's dollar again last month as the New York Consumer Price Index advanced to a 1953 peak of 112.1 (1947-49=100).

This is on the basis, of course, of the new price index, which had squeezed out of it all of World War II's inflation. On the old basis of 1935-39=100, the index would stand at 185.5.

Food prices declined slightly, while advances were reported in residential rents and transportation, the latter in part due to a 5-cent increase in the price of a ride on Mayor Impellitteri's Underground Taxi Co., sometimes called the New York Subway System.

As far as the trade winds of inflation are concerned, the economy doesn't seem to be in the doldrums yet.

Tellier Offers Stock Of Plateau Uranium

Tellier & Co., One Exchange Place, Jersey City, N. J., are offering "as a speculation" an issue of 1,999,999 shares of common stock (par one cent) of Plateau Uranium Mining Corp. at 15 cents per share.

The corporation, incorporated in Delaware on June 2, 1953, is duly authorized to do business in Colorado, Utah and Arizona. It acquired the entire assets and liabilities of Plateau Mines, Inc.

The company is actively engaged in the exploration, development and production of uranium and vanadium mining properties.

The purpose of the present offering is to secure financing necessary for further exploration, development and to continue with present production as well as supplemental ore recovery if and when ore reserves are established.

The company holds under lease or owns a total of 308 unpatented mining claims located in the Colorado Plateau area in the States of Colorado and Utah.

With Bache & Co.

PALM BEACH, Fla.—Edward Hurley White, Jr. is now with Bache & Co., 271 South County Road.

Brown, Madeira Cover the World From Number One Wall

A little more than a year ago two retired officers, each in his early fifties and each with 30 years or more active service in the armed forces, organized their own investment firm to carry on what is perhaps the most unusual securities business in the country. They sell mutual funds all over the world. Members of the firm never see or talk with most of their clients. Yet hardly a day goes by that the firm, from its offices on the 40th floor of Number One Wall Street, doesn't add a new client in some corner of the globe.

Brown, Madeira & Company is the name of this unusual organization, jointly headed by Brigadier General Julian P. Brown, USMC (Ret.) and Rear Admiral Dashiell L. Madeira, USN (Ret.). General Brown saw active service in both World Wars, served for three years on the staff of Fleet Admiral Halsey, and closed out his military career as a naval member on the Military Staff Committee of the United Nations.

Admiral Madeira was Fleet Gunnery Officer to Admiral Ernest J. King in 1941, following which he commanded several destroyer squadrons in the African and Sicilian invasions of World War II, and a cruiser in the Pacific in 1945.

Active, vigorous, and in their prime at the close of their military careers, both faced the problem of choosing a new career.

General Brown was the first to retire in 1949. He selected the investment business because as he put it . . . "I looked back on my own life and realized the difficulties of accumulating a 'nest egg'."

Two years later, Admiral Madeira retired and made a similar decision. Both men became associated with the same New York investment firm. They weren't in their new careers long before they realized that investing is a highly-specialized business requiring long experience. "Since I personally owned shares of several mutual investment funds at the time," General Brown recalls, "I knew that these organizations were doing an outstanding job for hundreds of thousands of investors located literally the world over. The more I studied them, the more I wanted to tackle the job of selling the mutual fund idea."

This kind of thinking eventually led the two men to join forces in March, 1952, and form their own firm to specialize in the sale of mutual fund shares.

This step placed them in a better position to fulfill another strong and quite understandable ambition. As investment men they wanted especially to help men and women in the armed forces, and particularly those located in foreign lands, frequently at great distances from any investment office. It is their conviction that the investment plans for periodic purchase of mutual fund shares are well-adapted to the needs and circumstances of many in the far-off places.

The firm gets much of its business through sales radiation. The partners explain it this way: "Our job is to build a reputation as a place where servicemen can come. When we do, one tells another. We're acting in a very real sense not as men who know all the answers about how to invest in stocks and bonds, but as intermediaries in seeing that the money entrusted to our care is placed in the hands of those who do know how—the managers of those mutual investment funds in which we have confidence. Our job is to know these managers personally—to understand their objectives and their policies—to follow closely what they do and what their results are—to do these things, you might say, as full-time representatives of our clients."

Today, the two former military men are successfully selling mutual funds on a global scale. Most any month their mail is likely to include letters and checks from members of the armed forces in Indo China, Germany, Norway, Korea, Hawaii, Saudi Arabia, or most any country outside the Iron Curtain. They estimate that about 75% of their business is with men and women in the services and the bulk of this is by mail. Moreover, a substantial portion of sales are made under periodic purchase plans.

A measure of how well the General and Admiral are doing in the job they have set for themselves is the firm's growth. Thus far, Brown, Madeira & Company have added registered representatives in five cities—Washington, D. C.; Norfolk, Va.; Newport, R. I.; Fayetteville, N. C.; and Burlington, Vt. And most of their representatives are retired military personnel. In fact, the partners prefer retired officers as the firm's representatives.

Continued from page 3

Looking Ahead at The Business Pattern

period and to avoid a sharp peak and sudden drop-off.

Thus far, the calculated risk involved in such a defense pattern has worked out well for the economy.

The defense effort is now running at an annual rate of $50 billion, give or take a few billions. Unless there is a deterioration in the international situation this rate is likely to prove the peak. The current rate is assured at least until mid-1954. Latest word from Washington is that the Defense Department is now concentrating its efforts on reducing its "non-productive" purchases.

Over the next two years security expenditures will gradually decline to an annual rate of $35 billion, or perhaps at bit lower.

That would appear to be just about as low as we can safely go —with world conditions what they are and the Russians playing with loaded dice.

Defense Boosts Demand But Not Supply

Even if you say it quickly, $35 billion annually will remain a very effective cushion under the economy.

What this means in economic terms is that a very substantial amount of purchasing power will be created annually without an offsetting increase in the available supply of goods and services. This is important.

It may be argued that a similar amount of purchasing power set free as a result of tax cuts would be economically sounder. This argument assumes that purchasing power set free by tax cuts will be immediately and fully translated into consumer buying or additional business spending for plant or equipment purchases. I find it difficult to accept this assumption all the way.

I believe that a parallel increase in purchasing power on the one hand, and goods and services on the other, would rapidly aggravate the problem of over-production that is confronting the economy now that we have succeeded in pulling off another production "miracle"—the accomplishment of a "guns-and-butter" economy, at least at the current cold-war—or as Nostradamus called it some 400 years ago—at the "half-war" level.

The accomplishment of such a guns-and-butter economy in three years is staggering to the imagination—and I am not using the term in the sarcastic sense that our Government now does not only have all the guns it needs for the moment, but also a lot of butter—as a result of its ill-designed farm price support policies.

Our productive capacity is now so huge that, without the purchasing power creation resulting from the defense effort, signs of over-production would by now be all around us.

Even as matters stand, it took a record expansion in consumer credit — ever since the termination of Regulation W—to prevent an inventory accumulation even worse than the one we are confronted with now.

Yet this year again will set a new record for plant expansion as the total will possibly hit $30 billion—an utterly fantastic accomplishment.

II

The Role of Prices

There is no better indicator of approaching overproduction than the movement of commodity prices.

Overproduction is glaring—and has been for some time—in the field of agricultural commodities. Were it not for the repeated refusal of Congress to adjust the present unsound farm price support policies to something more realistic, two things probably would have happened by now: Farm prices would have dropped even further, but farm production would have been reduced to more manageable levels. Instead, $3 billion worth of farm surpluses already have been bought by the Government and the end is not yet in sight.

The recent farm vote in favor of wheat marketing quotas for the 1954 crop year has been heralded by many as a sign of returning sanity because the country's farmers, for the first time since 1941, accepted the principle that high price supports must be tied to restrictions on production and marketing.

Unfortunately, the wheat quota vote is now much more than a gesture because the "sacrifice" made by the wheat growers for the continuation of the 90% parity support level next year is not going to hurt anybody seriously as the cut in acreage will largely be made up by higher yields on the authorized acreage allotments.

The decline in farm prices is hardly at an end because the price support program is bound to lose its effectiveness gradually. The reason for this is that the Government must sell some of its farm surpluses.

Continued Price Pressure Likely

While price declines during the past two years have been largely in farm prices and in those international raw materials whose prices had been run up speculatively after the outbreak of the Korean War, weakness is now cropping up in other sectors of the price structure as well.

Take used cars, for instance. Take them—because nobody seems to want them.

Automobiles and housing bear very close watching during the forthcoming months. The recent big General Motors fire may of course have the result of taking some of the pressure off the increasing automobile supply.

Perhaps the most important single development in this field is the return of freight absorption in the steel industry. Not on all steel products as yet, to be sure. But the handwriting is on the wall. Steel will soon be in a competitive market.

Once again it becomes advisable to watch the steel scrap market for a tip-off on the course of steel production.

Nearly everywhere you look today, it's a question of too much of this, too much of that. Too much lead; too much zinc; too much copper; too much cotton.

The only "commodity"—if you want to call it a commodity—still scarce is labor.

Employment this summer exceeded 63 million by a substantial margin. And they laughed when a former Vice-President of the United States talked about jobs for 60 millions.

Climax of Over-Stimulation

This, then, is where we stand at the moment: With the defense effort at its peak and business spending for plant expansion and modernization running at a record pace, jobs are at a new high. So is disposable income, and so is consumer income.

But we did not get there through growth by trial and error. We got there as the result of a chain of events that added up to a period of fully 20 years of uninterrupted overstimulation.

During this period, first the public debt and, after the war, private indebtedness jumped by leaps and bounds. Everywhere we have borrowed from the future. Not only in the field of consumer buying, through the use of consumer credit that by mid-1953 exceeded $27 billion, but in the field of plant expansion as well.

III

Cracks in the Boom

It was inevitable that as the result of such a protracted period of overstimulation some cracks would sooner or later develop in the foundation of the boom.

Even before Malenkov started ruling from one corner of Stalin's throne, there was reason to believe that the stimulation from a constantly rising defense program, the plant expansion boom and the construction boom was due to diminish soon and that the level of consumer spending then would not long stay immune to such a change.

Impressive as the current boom is, thoughtful observers have long been aware of the fact that under the surface a number of vulnerabilities have been developing.

There are five potential trouble spots in the economy at present. They are:

(1) The threat of industrial over-expansion;

(2) The threat of excessive inventories;

(3) The threat of declining farm prices and farm income;

(4) The threat of too rapid a rise in private indebtedness, particularly in consumer credit, and

(5) The threat of at least a temporary saturation in housing and durable consumer goods.

Vulnerabilities Under the Surface

The fact that thus far none of these vulnerabilities has been brought into the open should not lull us into a false sense of security.

The Russian peace offensive could have touched off a decline —but didn't.

The change in economic policies outlined, right after the Eisenhower Administration took over, by Secretary of the Treasury Humphrey and Secretary of Agriculture Benson could have "triggered" some of the existing vulnerabilities — but didn't. They might have done it if the initial Republican moves in the field of credit and agricultural policy had not been reversed so quickly.

The trouble with the evaluation of the existing vulnerabilities is that there are no yardsticks on which the degree of vulnerability can be measured.

Two Devices for Sugar-Coating

There is a good deal of sugar-coating now being done for the purpose of glossing over the existing vulnerabilities.

The two statistical methods or devices most frequently used to calm down our nerves are "ratios" and "intentions"; such as

(1) the "ratio" of one set of figures to another, and

(2) the "intentions" of businessmen or consumers to do this or that within a specified period.

My advice is to be extra leery if one or the other of these methods is pulled on you in order to explain what is going on in a company, an industry or the economy as a whole.

Of course, it is true that the ratio of inventories to sales, or the ratio of consumer credit to disposable income, today are favorable.

But the trouble with these ratios is that they usually look the best just before they turn sour.

Unfortunately, the sound ratios of today all too often turn into the headaches of tomorrow.

How to Measure Inventories

When it comes to the evaluation of inventory loans, you need a better yardstick than the ratio of inventories to sales.

The most promising inventory criterion I have encountered thus far is a formula developed by Herbert L. Brown, Director of Purchases of Pacific Airmotive Corp. in Burbank, Calif. It was presented at this year's annual convention of the National Association of Purchasing Agents.

Mr. Brown suggests that inventory policies be determined by the relationship of inventory turnover to a careful analysis of future sales volume.

Warning that there is such a thing as cutting down inventories too much, Mr. Brown holds that as a general rule an inventory turnover of four to six times a year in the manufacturing and servicing types of industries will be acceptable.

"Intentions" Can Be Changed

The same kind of suspicion is advisable if economic conclusions are based exclusively on business or consumer "intentions" to build a new plant, buy a new car or a refrigerator this year or next.

This does not mean that such economic data as the annual plant expansion survey of McGraw Hill (conducted by our mutual friend Dexter Keezer) or the annual consumer buying surveys canducted by the Federal Reserve Board in conjunction with the University of Michigan, are without merit.

Quite the contrary. If properly used, they are extremely helpful.

But in using them, it should be remembered that the privilege of changing one's mind is not restricted to the fair sex.

Also, we don't know as yet how effective the McGraw Hill annual plant expansion survey will prove in hitting the mark if and when the uptrend is about to be reversed. The survey has admittedly a "big company" bias and it is a foregone conclusion that smaller companies will have to cut back their expansion plans more quickly than the industrial giants who can embark on five- or ten-year expansion programs and stick to them fairly closely even during periods of a moderate business setback.

Consumer Spree "On Credit"

When it comes to housing and purchases of consumer durables, it is important to remember that consumers actually are so well supplied with durables today that they could easily postpone such purchases for a while. This is true particularly because the rate of family formation has been cut down to almost half of what it was a few years ago and will remain relatively low for several years to come.

The 1953 consumer buying spree was, of course, generated to a large extent by the rapid increase in consumer credit.

It should be noted that, just last week, the Comptroller of the Currency, Ray H. Gidney, found it necessary to warn that some national banks have liberalized personal loan policies "beyond the point of prudence."

There is a different side to this picture, however. Consumer credit is now reaching a level where monthly repayments and new credits are pretty much in balance. Soon repayments may top new loans—and when that happens, you have the beginning of a new deflationary element in the picture.

It is true enough that liquid savings are very high and rising spectacularly. However, only about half of the existing families are saving. Some of them, no doubt, are saving with the idea to wait for good buying opportunities—when prices are lower. This type of buying helped a lot to end the 1949 inventory recession.

But that was an extremely mild recession. It seems to be taking a lot for granted to rely on the same type of rescue operation again — if and when we enter another inventory "adjustment period."

"Uncomfortable" Is the Word For It

The picture at the moment, then, is one of a boom still running under a full head of steam —but of a boom that is the result of 20 years of over-stimulation— and of a boom that, as a result of this over-stimulation, has developed five distinctive vulnerabilities under its surface.

Plant expansion has proceeded uncomfortably fast.

Private indebtedness has risen uncomfortably fast.

Inventories look uncomfortably higher; particularly as signs are increasing that finished goods are backing up in the hands of manufacturers.

The decline in farm prices and farm income is uncomfortably persistent—and is likely to continue.

The drop in family formations throws an uncomfortable shadow over the prospect of construction and sales of most consumer durables.

In one word, all this adds up to a pretty uncomfortable picture.

From the standpoint of pure economics, the warning signals are up—definitely so.

IV

Signposts of Trouble

But—and this is indeed a big BUT—we are not living in an era of "pure economics."

It would be shortsighted indeed to ignore these warning signals— but it would easily prove just as shortsighted to get panicked by them.

We may as well get this straight: if the right combination of unfavorable numbers in these five vulnerable fields comes up— we'll be in trouble. And it would not just be a case of minor trouble, such as in 1948-1949.

But, unfortunately, there is no way of telling in advance what this combination is.

There is no single signpost, nor a group of signposts combined, that promises to give us a reliable tip-off on an approaching downturn in business.

The Burns Formula

The President's chief economic adviser, Dr. Arthur F. Burns, reportedly has his eye peeled for seven economic indicators which, taken together, would foretell trouble. In his opinion, the combination that probably would mean trouble is as follows: If the volume of stock trading and stock prices moves down; the liabilities of business failures go up; new security offers and construction contracts drop; the turnover of bank deposits slackens and the bank clearings in New York City —though not at first in the rest of the country—become smaller.

By watching these indicators, as a group, Dr. Burns hopes to recognize trouble before it actually strikes.

Quite frankly, the present picture as mirrored in the Burns formula—if one might call it by such a fancy name — looks barely fair at the moment, but not yet outright gloomy.

"After Labor Day" Blues?

As for myself, I am currently carefully watching for the "after Labor Day" snap-back in business activity. Time and again, trouble has first shown up after Labor Day in the failure of business to snap back satisfactorily from the seasonal summer slump. This recovery actually should get under way in August, but thus far the evidence has been inconclusive.

But even if the strong upward push that was in evidence through the second quarter is not resumed promptly — and I don't believe that it will be — a serious business decline does not seem imminent at this time.

I do believe that one of these days the present boom will come to an end—and not without considerable transition pains.

But this point probably will be preceded by a lengthy period of gradual decline—and probably by another upward dash—although I must admit that this is still a rather tentative conclusion on my part.

Nothing Explosive Seen Imminent

There are several reasons for my belief that nothing explosive is imminent at this time. Here are some of them:

(1) The "momentum" which has carried the economy along—consisting of a combination of defense program, plant expansion boom and construction boom—is not likely to run out of gas suddenly.

(2) The defense part of the boom will continue to create substantial purchasing power without adding to the supply of goods and services — thus postponing further the day when civilian overproduction will really engulf us.

(3) We probably have been underestimating not only the increase in the country's productive power, but also the rate of its growth and the tremendous power behind this growth. We are now a nation of 160 million and still growing fast. We have now the highest standard of living ever—and it is still rising.

That Certain Something

I have a feeling that this is the one factor whose real potentialities most of us do not yet appreciate fully.

Whenever I find myself cornered these days I usually admit — and not even facetiously — that there must be "something" in the economic picture we are overlooking. Otherwise there could not be so much strength and verve in the boom while so many weaknesses are cropping up.

This growth potential, more likely than not, is the area in which we are underestimating the country's strength.

(4) Finally, there is the factor of government policy that must be considered in this picture, as it is unthinkable that any Administration will stand idly by when the economy threatens to slip into a deflationary spiral. Too much is at stake — and not only politically.

V

The Role of Government

This fourth point raises a number of rather intriguing questions.

As long as the Truman-Snyder-Keyserling team was in office, it was a simple matter to foretell the economic moves of the Administration because they were bound to follow the New Deal-Fair Deal doctrine.

This was the doctrine of constant stimulation in order to maintain an uninterrupted growth in production and employment—despite the decided inflationary bias inherent in such a policy. Both the wage-price spiral, via a continued profit squeeze, and deficit financing for the purpose of continued increases in the monetary supply were the stand-by weapons of this policy.

Moreover, this policy was based on the theory that it is easier to stop a downward movement before it gets started than after it is well on the way.

The Eisenhower Commitment

The Eisenhower Administration also is committed by the President to a policy of active and determined intervention, but only in case a serious recession threatens.

Thus far there has been no implementation of this policy. The President has appointed an interdepartmental committee under the chairmanship of Dr. Burns that is charged with the task of preparing a detailed anti-recession program. This committee is supposed to submit its report by October.

A breathing spell in the boom probably would be just about the best thing that could happen to the economy and there is reason to believe that this is the official view in Washington.

It is, of course, nonsense to build this concept up into a charge that the Administration is wanting or planning a recession. With important Congressional elections coming up next year, such a plan would be political suicide.

Leery of too Much Recession

That the Administration is leery of too much recession is demonstrated by the agility with which it moved to correct, if not reverse, its initial policy of tightening credit and putting agriculture on a supply-and-demand basis.

Actually, of course, the Administration never had anything as drastic as a real hard-money policy or a free market for agriculture in mind. But the important thing —a few months ago—was that a lot of people thought it had. That led to a psychological reaction which, if it had not been corrected quickly, could easily have touched off a business decline.

If the Eisenhower-Humphrey-Burns team has already arrived at any conclusion as to where the trigger point for new economic government intervention lies, the members of the team have not told anybody about it as yet.

However, you can discount most of the brave Administration talk that there is "no chance" for any recession, even without Korea.

Once Again a Calculated Risk

The Administration is proceeding on the basis of the calculated risk that it can stop any decline that may develop before it threatens to get out of hand.

That the Administration believes in this premise is best illustrated by the fact that it still —in all sincerity—puts the balance of the budget and a gradual reduction in taxes at the head of its economic aims.

Behind this lies the suspicion that as long as we have full employment conditions, inflation is not really dead, but merely dormant.

But here again it must be pointed out that the conclusions of full employment can prevail only as long as a considerable part of the labor force is employed in defense work—where it receives considerable purchasing power but does not contribute to the increase in civilian goods supplies.

If economic intervention becomes necessary, the Administration must change signals on its budget and tax policies rather quickly.

If tax relief is to have promotional or stimulating value, it has to exceed the cut in government spending. This, of course, would mean the return to **deliberate** deficit financing — in contrast to the involuntary kind in which the Eisenhower Administration currently is caught through no fault of its own.

Danger of "Too Little, Too Late"

If a serious recession gets under way, I doubt that, even if the Administration throws the switch quickly, government intervention can stop the trend at will. The key to successful intervention lies in acting early enough. If timed properly there is no reason to doubt the effectiveness of intervention.

There are some observers who feel that we never will have another cyclical depression. But I still believe that it is not a mere case of "cyclophobia" to keep on insisting that the business cycle has not been conquered. In view of the great variety of forces operating within the economic system and the many potential sources of maladjustment which exist, the only thing we can hope for is to lessen the amplitude of business fluctuations. That is a good deal less than a complete elimination of the business cycle.

VI

The Case for Free Enterprise

If we want the free enterprise brand of prosperity, rather than a system of creeping Socialism under one name or another, we must be prepared to pay the price for it in the form of business fluctuations.

It has been sufficiently demonstrated that the Eisenhower Administration is determined to turn back to private business as much of the economy as possible. The termination of RFC and the recent announcement of a Republican electric power development policy are cases in point.

This policy means a tremendous responsibility for private industry, particularly big business. You can imagine how the political opposition will pounce upon these moves if something goes wrong with them.

The Eisenhower approach adds up to a deliberate turn-away from the New Deal and Fair Deal days. It stems from a deep conviction on the part of President Eisenhower and his associates that, in the long run, this country will prosper more under our traditional free enterprise system than under any form of planned economy, regardless of the shade of red advocated by the Fair Deal planners or their pals who have not yet tasted power.

However, there is a rather curious contradiction between such dedication to the free enterprise system and the frequently-heard statements that there need not be any recession if only business spreads it capital investments over longer periods and keeps this type of expenditures up whenever the business cycle shows signs of tiredness.

Dollars-and-Cents Logic

Under the free enterprise system, things just don't work out that way and, except in periods of emergency, patriotism cannot be expected to replace dollars-and-cents logic in private business planning.

To expect this is just as hopeless as asking labor unions to practice moderation, not only in periods of national emergency. It is Utopian to expect labor leaders to relent in their pressure for higher wages if they think the traffic will bear it.

Actually, the admonition that management can help to avoid recessions by expanding in slack, as well as in flush, times reflects the "planning bug" just as clearly as does the argument that consumer spending can, and should, be increased by increasing the share of the national income pie designed to go to labor.

There is nothing callous or evil about these observations.

Without the cumulative effect of the actions of the Government planners since the end of the war, the Federal Reserve Board production index today would perhaps stand at only 200 instead of 235. And who can say that that might not have been better?

Voluntary Actions Not Enough

This is a rather round-about way of saying that in case of a business downturn, we cannot rely on voluntary actions on the part of labor and management to turn the trend around again—before economic conditions are ripe for such a reversal.

Unfortunately, nobody can be sure in advance where that point will be, because psychological reactions have a lot to do with such economic judgments.

Hence, it is obvious that unless an Administration wants to take a chance on letting events take their natural course, Government action will be necessary to either cushion a decline or reverse it.

Intervention Must Be Flexible

The type of Government action will, of course, largely depend on the type of decline the Administration will be confronted with.

Here again, however, it must be stressed that it is next to impossible to determine in advance the nature and seriousness of any decline.

No two recessions are ever alike —simply because no two booms preceding them are alike.

As Dr. Burns says, "Each downturn is uniquely shaped by the boom that precedes it."

Two patterns stand out as possibilities:

(1) The mild inventory recession of 1948-1949 that shaved about 10 per cent off the rate of industrial production in a year and was quickly forgotten; or

(2) The more serious recession of 1937-1938 which, because of existing maladjustments between production and consumption, resulted in serious unemployment and tumbled industrial production down 30 per cent in about a year. Once things were squared away again, it took only five months to recover half of the drop.

VII

The Pattern for 1953-54

Looking at the two years 1953 and 1954 together, chances are that the high point in industrial production was established last March when the adjusted Federal Reserve Board index hit 243.

The second quarter average of 241 was surprisingly high. This, however, was due mostly to transitory factors, such as the warm winter of 1952-53; the fact that durables then still were in the process of closing the gap created by last year's protracted steel strike; that, in connection herewith, consumer credit spurted vigorously; and that there also was a sharp spurt in Government expenditures.

Three Key Industries

I expect the auto industry, the steel industry and construction to determine the pattern for the balance of 1953 and the early part of 1954.

Outside of moderate seasonal influences, notably in the non-durables, I don't see anything too offset the downdrag generated by automobiles, steel and construction.

By the end of 1953 the Federal Reserve Board index should be somewhere between 230 and 235. But don't sue me if it turns out a few points higher.

Assumptions for 1954

As far as 1954 is concerned, any prediction must make some assumptions.

Assuming that there is no deterioration in the international situation which necessitates a sharp step-up in the defense program and assuming that the Administration does not get impatient and start to build a fire under the economy to reverse a slow but persistent downtrend, 1954 should end at a lower level of industrial production than it starts—but not drastically lower.

If left pretty much to itself, the end of 1954 may find industrial production somewhere in the neighborhood of 205 to 215—and that still would be a pretty good neighborhood.

Such a pattern might involve unemployment of some 5,000,000 late next year and this probably will be regarded as the signal for the government to step in and try to halt the decline.

If intervention comes before the Federal Reserve Board index "breaks" 200, it should not be too difficult to stop and reverse the decline if the Administration sets its mind to it.

This is the pattern that, to me, looks the most reasonable to expect in view of the delicate balance between strong and weak points in the economy.

I am fully aware, however, of the possibility that you can take the same figures today and make out just as logical a case for the expectation of a sharp downturn or for a quick resumption of a more pronounced boom.

When I expressed this thought the other day in my Business Outlook column, a reader wrote in and said that this statement reminded him of the horse trader who was trying to sell off an old hay-belly horse. The customer wanted to know if the mare was with foal. So the horse trader, instead of answering directly, quickly asked back, "which way do you want her?"

Keep That Ear to the Ground

All this brings us down to the conclusion that the only realistic way of coping with the present situation and the outlook is to keep your ear to the ground and to be alert.

This is what I like to call my "better-safe-than-sorry" theory. It may not be much. But it is the best I — or for that matter anybody else — can offer you at this time.

Blyth Group Offers So. Calif. Ed. Bonds

An investment banking syndicate managed by Blyth & Co., Inc., offered yesterday (Aug. 26) $30,000,000 of first and refunding mortgage bonds, series E, due 1978, of Southern California Edison Co. The issue was awarded to the underwriters at competitive bidding on Aug. 25 on a bid of 99.4399 for a 3⅝% coupon. Priced at 100 and accrued interest, to yield 3.625% to maturity, the bonds are callable at prices starting at 103½ and scaling downward annually.

Part of the proceeds of the issue will be used to retire bank loans of an estimated $21,000,000, obtained in connection with the company's construction program. Balance of proceeds will be used to continue the program for which gross additions for the two years 1953-54 are expected to amount to $144,134,000. Additional capital requirements will be met from present treasury funds, internal sources, part of today's issue, and new financing of undetermined nature and amounts.

The company generates and sells electric energy in central and southern California in an area of rapidly growing population, including many of the cities surrounding Los Angeles and truck farming and fruit growing areas in the San Joaquin Valley.

Net operating revenue for the year ended June 30, 1953, was $134,140,791, and net income was $23,174,067.

H. D. Wells Joins Professional Service

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—H. Daniel Wells and Maurice Smith have become associated with Professional Service Plan, 650 South Grand Avenue. Mr. Wells was formerly Beverly Hills manager for Walston & Co.

Granbery, Marache Branch

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Granbery, Marache & Co., members of the New York Stock Exchange, have opened a branch office at 1307 Main Street. Associated with the new office are George J. Moriarty and Patrick J. Moriarty.

Continued from page 9

Aims of Newly Constituted SEC

by hearings held before and the report of a subcommittee of the House Committee last year.

No Intention to Relax on Frauds and Abuses

I just want to mention two other things before closing. The conditions in the securities business and in the public utility business that led to the great reforms instituted by these laws are conditions which the Commission would hate to see return. I don't want you to think by anything I have said that we plan to relax or diminish the effort to eliminate the frauds and abuses which represent a minor part of the securities industry and the utility industry, but which so blackened the name and reputation of these industries in the 20's and 30's. Now I say this because what I am about to say gives me great concern. The budget of the SEC goes about 93% toward salaries. I can't think of anybody more sympathetic than I am to the objectives of the new Administration in getting the budget under control. In this connection the appropriation of the SEC was cut from $5,245,000 in fiscal 1953 to $5,000,000 in fiscal 1954. One of the first tasks I had as a member of the SEC was to participate in the release to other callings of about 35 members of the Commission's staff, and we are under instruction from the Bureau of the Budget, with which we are making every effort to comply, to trim expenses in the next few months below appropriation levels to help get through this "debt limit" period and also to submit a budget request even further trimmed, if possible, for fiscal 1955. I am not here to plead for the SEC budget, because I think a great deal can be done in terms of efficiency, reorganization and streamlining of these regulatory and administrative tasks. I am hopeful that with the staff as reduced this year we can accomplish as much, if not more, than in previous years. But I do call your attention to the danger that may exist if the fraud and the unlawful practices which a few individuals, always on the fringe of the industry, engage in which are now to some extent stopped or diminished by the work of the SEC, the danger that would exist to the industry if those practices and conditions should, because of the failure of the SEC brought on by inadequate staff, rise up to haunt you in the industry and haunt us in the new Administration. The reputable and the legitimate investment banker, broker and dealer and the reputable, honest and able segments of the utility industry should not, I believe, be made to suffer again what they suffered in the 30's by reason of a failure on our part to carry out the purposes of the laws which the SEC administers in the public interest and for the protection of investors and consumers.

I want to conclude by saying a word or two about the Commission itself. As you may be aware, the SEC is made up of five members, no more than three of whom are permitted by law to be of the same political party. The Chairman is designated by the President from among the five. This meant that because of two vacancies and the expiration of one member's term, it fell to President Eisenhower to appoint, with Senate confirmation, three new Commissioners. One of the things that has been particularly gratifying to me is the fine qualifications and high caliber of the other four Commissioners and the harmonious and energetic way each is addressing himself to the problems that lie ahead. This augers well, I think, for the success of the first Republican Administration of the Securities and Exchange Commission since the Commission was established. I can assure you that much as I miss Chicago and all my friends here, it is a real privilege to serve in Washington under such circumstances with the new Administration. Thank you, Senator Dirksen, and gentlemen, very much.

Railroad Securities

Lower Transportation Ratios Reflect Rail Efficiency

The market up to the time of this writing has continued its dismal and discouraging action. July railroad earnings reports began to appear last week and, as had been expected, disclosed continuation of the sharp improvement over a year ago. These favorable comparisons, as well as some further favorable dividend news, are being pretty well ignored. Under the circumstances, there is little the analyst can do but continue to stress the vast improvement that there has been in recent years in the operating efficiency of the railroads and the fact that this favorable trend is continuing. Eventually such fundamentals, which largely determine the railroads' earnings power, presumably must be reflected in market action. As a measure of the improvement that has been taking place, the transportation ratio of all Class I carriers declined from a high of 42.1% in the first postwar year, 1946, to 36.9% last year. During the first half of 1953 there was a further year-to-year cut of nearly two points.

While the industry performance is interesting, and impressive, investors and speculators are naturally most concerned with the performances of individual roads. In the following tabulation we have listed the transportation ratios of 45 roads for the first six months of the current year, compared with a year ago, as a measure of the extent to which operations are continuing to improve. It will be noted that with the exception of Atlantic Coast Line and the two Pocahontas roads, Norfolk & Western and Virginian, all of the roads listed pared their transportation ratios during the period.

Eight of the roads represented were able to hold their transportation ratios for the six months below 30%. Of these, most were Western roads. The South was represented by Gulf, Mobile & Ohio and the coal carriers were represented by Virginian and Western Maryland. Compared with a year ago, the best relative performances were those of Central of Georgia and Denver & Rio Grande Western, both off more than four points. Denver & Rio Grande Western, incidentally, dipped below 30% for the half year. Others paring their transportation ratios by three points or more during the interval were Southern Railway, Western Pacific (also went below 30%), New York Central, Chicago, Rock Island & Pacific and Great Northern. It will be noted in connection with this list that while New York Central recorded a sizable drop in its ratio the ratio itself, 42.2%, was still inordinately high and well above the Class I average of 36.1% for the first six months of 1953.

Railroad Transportation Ratios, Six Months Through June 30

	1953	1952	Point Decline
Atchison, Topeka & Santa Fe	29.8%	32.0%	2.2
Atlantic Coast Line	35.5	32.8	*2.7
Baltimore & Ohio	37.7	39.8	2.1
Boston & Maine	41.8	43.0	1.2
Central of Georgia	37.5	41.8	4.3
Central of New Jersey	41.3	43.4	2.1
Chesapeake & Ohio	31.2	31.9	0.7
Chicago, Burlington & Quincy	35.7	36.8	1.1
Chicago & Eastern Illinois	35.8	37.0	1.2
Chicago Great Western	31.9	32.9	1.0
Chicago, Milwaukee, St. Paul & Pac.	40.1	42.6	2.5
Chicago & North Western	45.8	48.4	2.6
Chicago, Rock Island & Pacific	33.8	36.9	3.1
Delaware & Hudson	35.4	37.9	2.5
Delaware, Lackawanna & Western	42.2	43.3	1.1
Denver & Rio Grande Western	29.1	33.3	4.2
Erie	39.2	40.8	1.6
Great Northern	33.9	36.9	3.0
Gulf, Mobile & Ohio	28.5	28.8	0.3
Illinois Central	35.2	36.8	1.6
Kansas City Southern	28.4	28.6	0.2
Lehigh Valley	38.4	38.6	0.2
Louisville & Nashville	33.0	35.6	2.6
Minneapolis, St. Paul & S. S. Marie	41.5	42.0	0.5
Missouri-Kansas-Texas	33.7	35.5	1.8
Missouri Pacific	36.2	37.2	1.0
New Orleans, Texas & Mexico	30.9	31.9	1.0
New York Central	42.2	45.5	3.3
New York, Chicago & St. Louis	34.2	35.4	1.2
New York, New Haven & Hartford	41.9	42.2	0.3
Norfolk & Western	31.1	30.0	*1.1
Northern Pacific	38.9	40.1	1.2
Pennsylvania	41.4	44.2	2.8
Reading	36.9	39.3	2.4
St. Louis-San Francisco	34.7	36.4	1.7
St. Louis Southwestern	26.1	27.7	1.6
Seaboard Air Line	30.9	31.9	1.0
Southern Pacific	36.1	36.5	0.4
Southern Railway	30.3	33.7	3.4
Texas & Pacific	30.6	31.6	1.0
Union Pacific	35.6	36.6	1.0
Virginian	24.6	23.0	*1.6
Wabash	40.9	41.2	0.3
Western Maryland	29.1	31.9	2.8
Western Pacific	27.9	31.3	3.4

*Increase.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Although the September refunding is of prime importance to the Government market, there appears to be a growing realization that competition for the investment dollar is going to be as keen as ever. The fall is bringing to the money markets sizable amounts of State, municipal and corporate obligations, and these flotations, along with the private deals, will no doubt have an effect upon the market action of Treasury securities, especially those in the longer term classification. Therefore, it is not at all surprising that some buyers of Government securities are inclined to be not too robust in their operations at the present time.

The short-term market is still the most important one, and it is the opinion of many money market followers that it will continue to be that way for sometime to come. Switches mainly for tax purposes have been an important factor as far as volume and activity are concerned in a market that continues to be rather thin and limited.

Market Operations Limited

The Government market, although on the thin side, and not too active at times, manages to do a fairly good business through the medium of switches, the filling in of maturities and the averaging down in price of purchases made at higher quotations. This is the time of the year when a great many of the operators in Treasury obligations are away on vacation and this, along with the September refunding, means that there has not been any great rush to make moves in Government securities other than those that are pretty much required business.

Nonetheless, it is reported that not a few important switch operations have been consummated mainly with commercial banks. These institutions, it is indicated, are in a position to take tax losses on certain Government issues, because of the level of earnings which have been helped materially by the higher interest rates. There appears to be no particular pattern to these trades because in some instances there is a lengthening of maturities while in others there is a shortening of maturities. In other cases, there is no material change in positions, because practically the same maturity is obtained through the switch of securities.

Active Price Averaging

Institutional investors as well as the "old friends," the public funds, have been making commitments in not too sizable amounts in certain of the longer term 2½% bonds which were purchased at higher levels. The averaging down in price, according to advices, is rather important at times as far as volume and activity are concerned, considering the thinnest of the market. State and municipal funds have been the more important ones in this operation.

Filling in of maturities continues to be important, according to some advices, with the intermediate term issues the ones in which most of these commitments are being made. It seems as though there are quite a few institutions, including some banks, that are attracted to the discount obligations because of the yield after taxes.

2¼s of 1959-62 In Spotlight

The 2¼s of 1959/62 appear to be among the best liked issues in the list with many institutions continuing to use this obligation as the reinvestment medium for tax switches. It is being pointed out that the price at which these bonds are selling affords an opportunity for appreciation while the yield both to maturity and after taxes is still favorable.

Active Market in 3¼s

The 3¼s due 6/15/78-83, are being well bought, according to reports, which means these bonds are still moving into strong hands. Pension funds, it is indicated, have been active in this bond, with the private as well as the State and municipal ones among the buyers. On the other hand, there have been some sellers of the 3½s with the money obtained from these sales going largely into tax-free issues.

According to advices, there have been some important trades in the partially exempt bonds, with the 2¾% due 1960/65 being the main one in a rather large switch operation. It is believed that this movement out of the longest tax sheltered Government issue was made so that the sellers could reinvest the money in totally tax-free bonds.

Heavy Non-Government Borrowing Looms

Demand for funds, it is believed, will continue to be sizable and, accordingly, there seems to be no great change yet in opinions that non-Government obligations will continue to compete with those of the Treasury for the money that will be around for investment. The municipal offerings are going to be large and there are no indications that corporate flotations will slow down to any great extent. Because of these conditions, it is not expected that the longer Government obligations will do too much on the upside while this financing is going on.

The tightness in the money markets has not yet had too much of an effect upon the demand for Treasury issues, although there have been instances in which commitments have been curtailed because of this condition. It is believed, however, that open market operations will tend to keep the money markets pretty much on an even keel.

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. 30	§94.9	*95.9	92.6	99.6
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 30	§2,138,000	*2,162,000	2,087,000	2,069,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 15	6,594,750	6,538,250	6,550,600	6,278,900
Crude runs to stills—daily average (bbls.)	Aug. 15	¶7,092,000	7,063,000	7,088,000	7,177,000
Gasoline output (bbls.)	Aug. 15	25,561,000	24,477,000	24,488,000	23,128,000
Kerosene output (bbls.)	Aug. 15	2,157,000	2,196,000	2,257,000	2,657,000
Distillate fuel oil output (bbls.)	Aug. 15	10,281,000	9,744,000	10,739,000	10,342,000
Residual fuel oil output (bbls.)	Aug. 15	8,635,000	8,576,000	8,778,000	8,720,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 15	143,577,000	143,319,000	143,820,000	115,979,000
Kerosene (bbls.) at	Aug. 15	32,735,000	31,681,000	29,644,000	29,721,000
Distillate fuel oil (bbls.) at	Aug. 15	110,727,000	106,710,000	94,912,000	95,280,000
Residual fuel oil (bbls.) at	Aug. 15	50,233,000	49,488,000	47,779,000	51,959,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 15	807,387	785,349	791,414	805,756
Revenue freight received from connections (no. of cars)	Aug. 15	659,291	652,005	621,519	660,208
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 20	$259,040,000	$311,332,000	$253,497,000	$1,366,068,000
Private construction	Aug. 20	154,195,000	167,693,000	140,584,000	87,883,000
Public construction	Aug. 20	104,845,000	143,639,000	112,913,000	1,278,185,000
State and municipal	Aug. 20	81,184,000	116,636,000	80,540,000	59,381,000
Federal	Aug. 20	23,661,000	27,003,000	32,373,000	1,218,804,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 15	9,565,000	*9,365,000	9,150,000	9,788,000
Pennsylvania anthracite (tons)	Aug. 15	558,000	536,000	669,000	722,000
Beehive coke (tons)	Aug. 15	101,100	90,700	94,300	66,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 15	95	92	84	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 22	8,431,603	8,513,782	8,460,427	7,718,084
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 20	122	150	184	154
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 18	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Aug. 18	$56.76	$56.76	$56.76	$55.26
Scrap steel (per gross ton)	Aug. 18	$43.17	$44.42	$44.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 19	29.500c	29.450c	29.675c	24.200c
Export refinery at	Aug. 19	29.200c	29.150c	29.775c	35.350c
Straits tin (New York) at	Aug. 19	83.000c	78.750c	80.750c	121.500c
Lead (New York) at	Aug. 19	14.000c	14.000c	13.500c	16.000c
Lead (St. Louis) at	Aug. 19	13.800c	13.800c	13.300c	15.800c
Zinc (East St. Louis) at	Aug. 19	11.000c	11.000c	11.000c	14.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 25	93.00	93.10	93.38	97.05
Average corporate	Aug. 25	103.80	104.14	103.80	109.79
Aaa	Aug. 25	108.34	108.88	108.52	114.27
Aa	Aug. 25	105.86	106.21	105.86	112.00
A	Aug. 25	103.13	103.30	102.63	109.06
Baa	Aug. 25	98.09	98.41	93.25	103.97
Railroad Group	Aug. 25	101.97	102.30	101.97	106.92
Public Utilities Group	Aug. 25	103.13	103.47	103.47	109.42
Industrials Group	Aug. 25	106.21	106.56	105.86	112.93
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 25	3.00	2.99	2.99	2.70
Average corporate	Aug. 25	3.52	3.50	3.52	3.1
Aaa	Aug. 25	3.26	3.23	3.25	2.94
Aa	Aug. 25	3.40	3.38	3.40	3.06
A	Aug. 25	3.56	3.55	3.59	3.22
Baa	Aug. 25	3.87	3.85	3.86	3.51
Railroad Group	Aug. 25	3.63	3.61	3.63	3.34
Public Utilities Group	Aug. 25	3.56	3.54	3.54	3.20
Industrials Group	Aug. 25	3.38	3.30	3.40	3.01
MOODY'S COMMODITY INDEX	Aug. 25	421.4	420.1	427.6	430.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 15	232,550	346,228	195,839	194,899
Production (tons)	Aug. 15	260,535	261,943	214,656	219,857
Percentage of activity	Aug. 15	98	98	81	89
Unfilled orders (tons) at end of period	Aug. 15	583,898	608,519	581,573	431,711
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 21	106.00	106.05	106.21	108.86
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	Aug. 8	22,596	21,635	21,541	24,848
Number of shares	Aug. 8	654,389	626,405	597,225	704,590
Dollar value	Aug. 8	$30,299,003	$28,221,869	$27,231,578	$32,348,017
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 8	19,074	20,029	17,594	21,71-
Customers' short sales	Aug. 8	93	127	102	77
Customers' other sales	Aug. 8	18,981	19,902	17,492	21,638
Number of shares—Total sales	Aug. 8	529,602	547,472	467,813	704,590
Customers' short sales	Aug. 8	3,039	4,578	3,398	610,293
Customers' other sales	Aug. 8	526,563	542,894	464,415	2,537
Dollar value	Aug. 8	$21,302,648	$21,535,810	$18,341,131	$25,315,843
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 8	149,190	178,530	126,710	161,590
Short sales	Aug. 8	------	------	------	------
Other sales	Aug. 8	149,190	178,530	126,710	161,590
Round-lot purchases by dealers—					
Number of shares	Aug. 8	272,230	258,700	247,510	268,990
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Aug. 1	252,660	189,020	210,580	198,560
Other sales	Aug. 1	5,850,830	4,373,410	4,311,210	5,506,820
Total sales	Aug. 1	6,103,490	4,562,430	4,521,790	5,705,380
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 1	666,180	438,360	490,280	564,930
Short sales	Aug. 1	105,430	61,260	88,800	102,360
Other sales	Aug. 1	580,210	385,660	410,630	451,650
Total sales	Aug. 1	685,640	446,920	499,430	554,010
Other transactions initiated on the floor—					
Total purchases	Aug. 1	106,900	81,120	101,190	99,900
Short sales	Aug. 1	14,000	15,600	9,600	7,200
Other sales	Aug. 1	119,440	78,280	81,030	98,850
Total sales	Aug. 1	133,440	93,880	90,630	106,050
Other transactions initiated off the floor—					
Total purchases	Aug. 1	280,470	191,395	196,615	226,360
Short sales	Aug. 1	43,050	54,300	62,500	44,630
Other sales	Aug. 1	255,837	218,478	296,824	243,783
Total sales	Aug. 1	298,887	272,778	359,324	288,443
Total round-lot transactions for account of members—					
Total purchases	Aug. 1	1,053,550	710,875	788,085	891,190
Short sales	Aug. 1	162,480	131,160	160,900	154,220
Other sales	Aug. 1	955,487	682,418	788,484	794,283
Total sales	Aug. 1	1,117,967	813,578	949,384	948,503
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 18	110.8	*110.5	111.0	112.2
Farm products	Aug. 18	97.7	*96.3	98.9	110.1
Processed foods	Aug. 18	105.2	*104.8	106.3	111.1
Meats	Aug. 18	95.7	93.1	101.8	116.8
All commodities other than farm and foods	Aug. 18	114.8	114.8	114.5	112.8

*Revised figure. ¶Includes 665,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$212,686,000	$214,382,000	$199,764,000
Exports	115,327,000	111,679,000	125,622,000
Domestic shipments	10,696,000	11,291,000	7,724,000
Domestic warehouse credits	21,226,000	21,177,000	9,556,000
Dollar exchange	39,990,000	35,000,000	73,351,000
Based on goods stored and shipped between foreign countries	35,034,000	34,684,000	34,133,000
Total	$434,959,000	$428,213,000	$450,150,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of July (000's omitted)	$576,000	$1,250,000	$546,700
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK— As of July 3 (000's omitted)	$429,000	$408,000	$539,000
COTTON GINNING (DEPT. OF COMMERCE) As of Aug. 1	349,072	------	176,356
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—			
As of August 1 (in thousands):			
Corn, all (bushels)	3,330,418	3,336,501	3,306,735
Wheat, all (bushels)	1,202,829	1,174,708	1,291,447
Winter (bushels)	878,331	821,372	1,052,801
All spring (bushels)	324,498	353,336	238,646
Durum (bushels)	19,851	28,701	21,363
Other spring (bushels)	304,647	324,635	217,283
Oats (bushels)	1,231,197	1,318,820	1,268,280
Barley (bushels)	243,869	246,728	227,008
Rye (bushels)	17,452	17,422	15,910
Flaxseed (bushels)	42,204	39,955	31,002
Rice (100-lb. bags)	50,102	48,439	48,660
Sorghum grain (bushels)	110,027	------	83,316
Cotton (bales)	14,605	------	15,136
Hay, all (tons)	105,284	105,274	104,424
Hay, wild (tons)	12,574	12,378	10,935
Hay, alfalfa (tons)	43,135	42,937	42,438
Hay, clover and timothy (tons)	29,671	30,058	31,755
Hay, lespedeza (tons)	5,804	5,981	5,147
Beans, dry edible (100-lb. bags)	17,264	17,140	16,777
Peas, dry field (100-lb. bags)	3,343	3,430	2,610
Soybeans for beans (bushels)	295,018	------	291,682
Peanuts (pounds)	1,376,985	------	1,354,010
Potatoes (bushels)	382,835	376,773	347,504
Sweetpotatoes (bushels)	33,721	32,697	28,292
Tobacco (pounds)	2,085,845	2,125,427	2,254,855
Sugarcane for sugar and seed (tons)	7,223	7,223	7,599
Sugar beets (tons)	11,211	10,925	10,169
Broomcorn (tons)	30	------	29
Hops (pounds)	43,275	42,080	61,263
Apples, commercial crop (bushels)	100,416	102,320	92,489
Peaches (bushels)	64,009	63,559	62,560
Pears (bushels)	30,479	30,910	30,947
Grapes (tons)	2,774	2,755	3,173
Cherries (12 states) (tons)	230	225	218
Apricots (3 states (tons)	209	206	177
Pecans (pounds)	178,354	------	147,946
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of July:			
Industrial (125)	5.44	5.60	5.41
Railroad (25)	6.30	6.26	5.61
Utilities (not includ. Amer. Tel. & Tel.) (24)	5.46	5.58	5.44
Banks (15)	4.70	4.75	4.52
Insurance (10)	3.40	3.50	3.21
Average (200)	5.46	5.58	5.39
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of July	£19,104,000	£18,205,000	£7,948,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of June (000's omitted):			
Savings and loan associations	$681,920	$641,425	$563,630
Insurance companies	130,914	132,771	107,882
Bank and trust companies	325,012	317,314	304,791
Mutual savings banks	120,447	110,861	96,141
Individuals	248,152	245,576	228,999
Miscellaneous lending institutions	262,814	250,687	211,291
Total	$1,769,259	$1,698,634	$1,512,734
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of May:			
Net railway operating income	$95,393,045	$101,509,343	$83,094,887
Other income	19,780,490	16,382,026	14,929,933
Total income	115,173,535	117,891,369	98,024,820
Miscellaneous deductions from income	4,213,933	4,060,908	3,888,471
Income available for fixed charges	110,959,602	113,830,461	94,136,349
Income after fixed charges	77,207,818	80,091,058	60,934,050
Other deductions	2,787,462	2,850,294	2,892,194
Net income	74,420,356	77,240,764	58,041,856
Depreciation (way & structure & equipment)	41,813,744	41,971,818	40,270,450
Federal income taxes	50,882,877	56,165,245	42,473,643
Dividend appropriations:			
On common stock	33,621,076	6,972,093	28,356,475
On preferred stock	6,285,255	2,119,976	8,361,350
Ratio of income to fixed charges	3.29	3.37	2.84
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	------	------	------
Net purchases	$7,921,500	$20,077,450	$1,404,350
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 31	$272,732,350	$266,123,134	$263,106,924
General fund balance	8,740,766	4,670,248	7,925,452
Net debt	$263,991,584	$261,452,886	$255,181,472
Computed annual rate	2.438%	2.438%	2.339%
U. S. GOVT. STATUTORY DEBT LIMITATION —As of July 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	272,669,407	266,071,061	263,072,711
Guaranteed obligations not owned by the Treasury	62,943	52,072	34,212
Total gross public debt and guaranteed obligations	$272,732,350	$266,123,134	$263,106,924
Deduct—other outstanding public debt obligations not subject to debt limitation	584,029	601,398	634,631
Grand total outstanding	$272,148,321	$265,521,736	$262,472,292
Balance face amount of obligations, issuable under above authority	2,851,678	9,478,263	12,527,707

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Under Gold Coinage, Is Gold Just Another Commodity?

remarked, *all* be dead! And not of senility, either!

Faulty General Price Index

One thing that is requisite to a rational approach is a realization that an "index" of prices in general, that is, a figure representing percentage change over time, is mathematically fallacious. This argument was primed by Bassett Jones' little book, "Horses and Apples," in a dispute with Irving Fisher over "averaging relatives" some 20 years ago. This being true the escalator contract offers no solution for labor disputes over wage level versus the "cost of living." The "index" becomes obsolete because its "base period" soon loses significance in the changing scene of economic development. This does not have to be argued; it is freely admitted by its own practioners or statisticians who periodically change the "base" period to a later date. Even a single year is at times too long to keep up with the facts.

How, then, can contracts be of any validity relative to inflation if there can be no stability in the very base from which the "price index" is computed? Are price changes due to inflation merely relative, or is there not a truly unchanging element, such as gold is alleged to be, with reference to which the cost of living changes? What is there in *living* that does *not* change which *does* change in *price* under inflation? What composes the *real* wage level which it is sought to keep on an even keel in terms of money?

Certainly not gold! Nor can it be capital goods or durables, such as refrigerators, automobiles, electronic devices, or even clothing; these become obsolete almost "over night" at times and so cannot possibly reflect a change in money "value" which is not confused with or by obsolescence in any attempt at indexing.

A "Food Price" Index

The absolute (not relative) price of food calories in staple crops such as wheat, corn, and potatoes, does afford a very good measure of what is happening to the "value" of money. Every escalator clause in business contracts (and they are becoming increasingly common) should be based on such a moving annual average of the principal markets in food crops without any reference (except in the individual contract using this basis) to what the price level has been at any particular time or place.

With this established in the business and academic mind we can then tackle the question of controlling the money supply with reference to *this* index, so that, if we may compare such a device with the household thermostat, the effect of a *rise* in the price level (temperature) will be to produce a *fall* in the money supply (heat supply) and *vice versa*, with no administrative discretion (no hand operation) whatever involved. In engineering parlance this is called a *negative* feedback in a servo-mechanism. The current bank-credit system generates a *positive* feedback and so, like the old kitchen range, requires constant operative attention which is certain, sooner or later, to burn the economic cake or let it fall for lack of heat.

Truly, in the presence of modern technology with servo-mechanisms operating at every turn in industrial production, and a similar mechanism demonstrated in the neutral control of all vertebrate physiology, it is astonishing that this principle has encountered such a "cultural lag" in developing the social controls of an atomic age in which the rule of law and not of men is considered essential to a Jeffersonian system of *freedom* in competitive enterprise with every man for himself yet operating for the benefit of the whole coalition of which he partakes. The welfare of such a whole is certainly not just the sum of its parts.

Escalator clauses are essential to sustaining real wages pending such a development in monetary control, for the truth is that bank credit is so perverse in its "elasticity" as a source of money supply that it can serve without interruptions only as long as there is a minimum of danger that deflation will develop and collapse capital values upon which bank "loans" are outstanding. The best that can be done to assure such a condition while retaining this system of "fractional reserves" is a continually inflationary money supply. Maximum production in "plundering the planet" to try to keep prices down by the "competition" of over-supply must never be mistaken for an economic optimum. Such a policy spells ultimate disaster comparable to that which overtook the "Deer People" of north central Canada who "raised their standard of living" with firearms, destroyed the caribou herds in the process, and then starved to death! Modern know-how is not an unmixed blessing when not under moral and legal restraint against a foolish rapacity; it affords no excuse for neglecting essential conservation and population control.

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The State of Trade and Industry

$100,000 or more. Failures in this class in July were the highest in any month in over 18 years.

Of the five major categories of business, manufacturing had the only rise in failures in July.

More businesses failed than a year ago in all areas.

In the heavy construction industry, according to "Engineering News-Record," contracts awarded so far this year total $10,100,000,000, 7% below the like 1952 period. But last year's total was boosted more than $2,000,000,000 by awards granted by the Atomic Energy Commission, particularly the $1,200,000,000 contract for the Portsmouth, Ohio, bomb plant. If A. E. C. awards are excluded, the volume in 1953 would be 14% ahead of last year, this trade journal stated.

Activity in the building construction field was maintained at a record pace during the month of July. The volume of building permits issued in 215 cities, including New York, during the month rose to $530,191,206, reports Dun & Bradstreet, Inc. This was an all-time high for the month of July, and the largest for any previous month in almost three years, or since August, 1950, with a permit turnover of $550,997,973. Last month's valuation figure showed a gain of 16.4% over June with $455,523,853, and it was 20.2% above the July 1952 sum of $441,160,921.

The valuation of plans filed in New York City alone rose sharply in July to $69,097,923, from $43,264,650 in June, for an increase of 59.7%. Compared with $44,945,049 in the corresponding 1952 month, the rise was 53.7%.

Steel Output Scheduled to Drop Below Level of Week Ago

Steel users are not placing orders as far ahead as they were but that doesn't necessarily forecast a sharp cut in steel consumption, states "Steel," the weekly magazine of metalworking, the current week.

It could mean consumers just think steel will be more readily available in the fourth quarter of this year than it has been, but it adds, there're inclined to think this way because: (1) The war emergency has faded away; (2) steel producing capacity has increased; (3) demand that accumulated for goods during World War II and the Korean war has been satisfied; (4) end of the Korean war inspired an increase in caution among businessmen and (5) the "pipelines" of steel distribution are filling up.

Possibility of a stretch-out in shell work before the end of the year and cutbacks from the auto industry as a direct result of the General Motors fire at Livonia, Mich., are helping influence buyers to move a little more slowly on future commitments for large bars. Small sizes of hot-rolled and cold-finished carbon bars have been readily available for some time, this trade weekly observes.

A few spot mill offerings of hot-rolled and cold-rolled carbon sheets are developing, but these are being snapped up quickly, it notes.

Most producers of steel plates see enough work ahead to insure active operations the rest of this year.

Similarly, continues this trade publication, most shops that fabricate structural shapes for the construction trade have comfortable backlogs of orders, the exceptions being mainly among the smaller shops. Among these smaller shops the competition for business is keenest, although the large fabricators are figuring more closely than they did.

While warehouses which supply the small consumers of steel do not have all of the inventories they would like, they do see some improvement and are increasingly choosy in what they will accept from the mills, "Steel" concludes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 94.9% of capacity for the week beginning Aug. 24, 1953, equivalent to 2,138,000 tons of ingots and steel for castings as against 95.9% (revised), or 2,162,000 tons a week ago. For the like week a month ago the rate was 92.6% and production 2,087,000 tons. A year ago the weekly production was placed at 2,069,000 tons and the operating rate was 99.6% of capacity.

Car Loading Rise 2.8% Above Previous Week

Loading of revenue freight for the week ended Aug. 15, 1953, increased 22,038 cars, or 2.8% above the preceding week, according to the Association of American Railroads.

Loadings totaled 807,387 cars, an increase of 1,631 cars or 0.2% above the corresponding 1952 week, but a decrease of 22,011 cars or 2.7% under the corresponding 1951 week.

Electric Output Declines From All-Time High Record of Preceding Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 22, 1953, was estimated at 8,431,603,000 kwh., according to the Edison Electric Institute.

This represented a decrease of 82,179,000 kwh. below the previous week's all-time high record of 8,513,782,000 kwh.

The current total shows a gain of 713,519,000 kwh. or 9.2% over the comparable 1952 week and an increase of 1,355,069,000 kwh. over the like week of 1951.

U. S. Auto Output Advances in Latest Week

Automotive output for the latest week slightly exceeded the preceding week's volume, "Ward's Automotive Reports" show.

The industry turned out 129,262 cars last week, compared with 128,946 in the previous week. A year ago, because of the steel strike, the weekly production was only 83,065.

United States truck production last week totaled 24,498 compared with 25,168 the previous week. A year ago truck output was only 18,532 units.

Canadian companies made 6,145 cars last week, compared with 2,152 in the previous week and 5,713 in the like 1952 week. Truck production amounted to 1,732 units last week, against 260 the week before and 2,291 in the year earlier period.

Business Failures Decline Further

Commercial and industrial failures dipped to 122 in the week ended Aug. 24 from 150 in the preceding week, Dun & Bradstreet, Inc., reports. This decline brought casualties down moderately from the 154 occurring in the comparable week a year ago and the 130 in the 1951 week. Less than one-half as many concerns succumbed as in the similar week prewar 1939 when 264 were recorded.

Failures with liabilities of $5,000 or more decreased to 110 from 132 in the prior week and 119 last year. Small casualties, those with liabilities under $5,000, dipped to 12 from 18 and compared with 35 a year ago. Concerns failing with liabilities in excess of $100,000, held at 10.

All industry and trade groups except construction, which showed slight rise, had fewer failures during the week. Failures in retail trade dropped sharply to 56 from 79, while mild declines took place in manufacturing, wholesaling and commercial service. More businesses failed than last year in manufacturing and construction, but failures in wholesaling, retailing, and commercial service were noticeably below the 1952 level.

Geographically, failures declined in four of the nine regions: the Middle Atlantic States down to 34 from 64, the East South Central down to 1 from 3, the West South Central down to 1 from 6, and the Pacific States down to 30 from 38.

Failures rose in four regions: the East North Central States up to 24 from 11, with milder increases in the West North Central, South Atlantic region and Mountain States. New England failures held at 8. More businesses failed than last year in the South Atlantic, East North Central and West North Central. Failures were off sharply from 1952 in New England, Middle Atlantic and West South Central.

Wholesale Food Price Index Reverses Downward Trend

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned upward last week following three successive declines from the year's high point of $6.75 reached on July 21. At $6.67 on Aug. 18, the current figure is up 4 cents over last week's $6.63, and compares with $6.69 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 Advances Slightly Influenced By Stability In Leading Commodities

A steadying movement in some of the leading commodity markets last week resulted in a slight rise in the Dun & Bradstreet daily wholesale commodity price index. The index closed at 281.82 on Aug. 18, as compared with 280.44 a week previous, and with 293.76 on the corresponding date last year.

Grain prices finished slightly higher after fluctuating nervously during the week.

Wheat prices sank to the lowest levels in six years last Thursday. The absence of export business and the expanding new crop Spring wheat movement in the Northwest were depressing influences.

Also contributing to the decline was the apprehension that growers would refuse to endorse the government plan for marketing quotas for next year's wheat crop. Most of the losses were recovered following endorsement of the plan last Friday by the farmers. Corn developed strength particularly in the cash market. Country offerings of the yellow cereal have been very light as farmers are said to have placed much of the 1952 crop under loan. Trading in wheat futures on the Chicago Board of Trade increased sharply last week. Sales of all grain and soybean futures rose to a daily average of 70,000,000 bushels, against 44,100,000 the previous week, and 50,700,000 a year ago.

The domestic flour market turned quiet following substantial bookings earlier in the week when wheat prices broke sharply. Activity was confined mostly to hard Winter wheat varieties with chain bakers covering for 90 days in most instances. Cocoa resumed its upward price movement as the spot supply position continued to tighten. All active future deliveries reached new highs for the season.

Warehouse stock of cocoa, totaling 175,419 bags, showed a drop of 9,406 for the week, and compared with 127,785 a year ago. Coffee prices advanced following last week's dip as the result of the new Brazilian export regulations. Active replacement buying on the part of roasters largely accounted for the rise. Lard continued strong, stimulated by further purchases to fill government orders. Trading in hogs was active with prices reaching best August levels since 1948, aided by higher wholesale pork prices. Lamb prices declined as receipts increased; steers were steady.

Spot cotton prices continued to work lower in the wake of the unexpectedly large official crop forecast issued last week.

The continued slow export movement and quiet textile markets also tended to depress the market.

Sales of the staple in the ten spot markets last week were reported at 82,600 bales, up from 63,800 the previous week, and comparing with 82,800 in the like week a year ago. In the first report of the new season, loan entries of 1953 crop cotton totaled 10,300 bales through Aug. 7. Cotton consumption during the five-week July period was estimated at 735,000 bales, as compared with 698,000 in the same period a year ago.

Trade Volume Rises In Most Sections Aided By Good Weather and Special Promotions

Stimulated by mild temperatures and many attractive promotions, shoppers boosted their buying slightly in many parts of the nation in the period ended on Wednesday of last week. However, shopping was dampened noticeably in the East and New England by heavy rains.

The total dollar volume of retail trade continued slightly above the comparable level of a year ago. Eased credit terms helped to sustain shopping; consumer debt held close to the all-time peak touched in recent weeks.

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 before. Regional estimates varied from the corresponding 1952 levels by the following percentages: New England and East —1 to +3; Midwest and South +1 to +5; Northwest +2 to +6; Southwest 0 to +4; Pacific Coast +3 to +7.

The approaching end of the vacation season was discernible in the rising demand for Fall and back-to-school clothing. Most apparel stores continued to chalk up larger sales figures than in the similar 1952 week. Rising notably in demand last week were sportswear, children's clothing and men's dress shirts.

Clearance sales of Summer wear continued to attract strong shopper response, particularly in the South and Southwest.

The consumer demand for food edged upward slightly this week as lower temperatures spurred jaded appetites. The consumption of fresh fruits and vegetables expanded as some price cuts attracted shoppers.

The interest in household goods rose last week as many special promotions continued. Shoppers continued to spend slightly more for such goods than in the similar week a year ago. Among the best-selling goods were bedding, floor coverings, decorating materials and phonograph equipment. The buying of television sets began to recover from the Summer lull.

The approach of the Fall season was reflected in a rising reorder demand for many items in most wholesale markets in the week. The total dollar volume of wholesale trade remained modestly above the year-ago level. Inventories in most lines remained larger than a year ago and buyer apprehension appeared to be rising.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Aug. 15, 1953, showed no change from the level of the preceding week. In the previous week an increase of 2% was reported from that of the similar week of 1952. For the four weeks ended Aug. 15, 1953, an increase of 1% was recorded. For the period Jan. 1 to Aug. 15, 1953, department stores' sales registered an increase of 4% above 1952.

Retail trade volume in New York last week came up to expectation. Trade observers placed the decline from the 1952 period at 6 to 7%.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 15, 1953, declined 4% from the like period of last year. In the preceding week an increase of 4% was reported from that of the similar week of 1952, while for the four weeks ended Aug. 15, 1953, an increase of 1% was reported. For the period Jan. 1 to Aug. 15, 1953, no change was registered from that of 1952.

Continued from page 14

Motor Vehicle Toll Highways

even a mild one like in 1921. The Pennsylvania Turnpike, the first major motor vehicle toll route in the United States, was the only such turnpike in operation during the Second World War, and it only continued to earn its charges and sinking fund because of the heavy truck traffic in defense materials. Due to the scarcity of rubber tires and the attendant gasoline rationing, private automobile traffic was partically nil. More recently built or projected turnpikes carry much higher construction costs, and higher tolls are necessary. It is problematical as to what earnings these projects will be able to show in a depression.

In 1947 the United States Bureau of Public Roads proposed a plan for a 40,000 mile national system of interstate highways. This project was estimated to cost $11.3 billion, and the work would cost much more if done at present prices of construction. However, over the proposed 10 year period the average could be more favorable. In order to finance such a program, the writer is going to suggest a certain procedure. However, it seems pertinent to first analyze the true status of the presently operating or projected toll roads.

When the Pennsylvania Turnpike was first being planned, it was evident that the State of Pennsylvania was in great need of an efficiently constructed highway to carry the heavy freight traffic between Pittsburgh and the Eastern seaboard. When the Turnpike was decided on, the State was relieved entirely of this expense, although the route was to lie wholly within its borders and its large industrial areas were to be the principal beneficiaries. By the construction of a toll road, the taxpayers of Pennsylvania were not called upon to furnish the funds, and the State got a beautiful highway free of charge. In the indenture of the Turnpike bonds it is stipulated that after the bonds and their interest shall have been fully paid, the Turnpike shall become a part of the State Highway Department and shall be toll free. Thus, the State eventually will get the whole property. Nevertheless, its Highway budget is now perhaps larger than previously, and the gasoline tax is still 5¢ per gallon.

In the indentures of the New Jersey, Oklahoma, Ohio and West Virginia Turnpikes the same provision will be found. In fact, such a procedure seems to be usual for most of these state toll highways. In practically all cases the states are relieved of the financial obligation for the construction of their very best and most productive roads, yet the tax collections for motor vehicles continue undiminished. Besides all this, there are many instances where the law provides that the proceeds of gasoline and motor vehicle taxes must be used solely for the construction and improvement of the highways. For example, the State of New York collects $258.0 million in highway user revenues and disburses $223.0 million for all highway purposes. Moreover, the Federal Government collects up to four times as much money in excise taxes on motor vehicles and the products they use than it returns in Federal-State highway aid. For the fiscal year 1952 collections on the above excise taxes amounted to $1.8 billion and expenditures on public roads $454 million.

Suggested Program

As a solution to the problems of construction and finance for the arterial highway system in the United States, the writer suggests the following procedure:

(1) Petition Congress to frame and adopt the following laws:

(a) to create a Federal Highway Authority, the membership of which would consist of the State Highway Engineers of each of the 48 states, together with the Chairman of the United States Bureau of Public Roads. This Authority would have six subdivisions: Northeastern, Southeastern, South Central, Southwestern, Northwestern and North Central. It would be non-political and free from Federal domination, and would be charged with the planning and construction of suitable arterial toll highways.

(b) To make mandatory the return of at least 50% of all Federal excise taxes on the motor vehicle industry, motor fuel, lubricating oils, tires and tubes, parts and accessories to the states from where collected.

(2) Petition each state legislature to pass laws:

(a) To make it mandatory that all motor vehicle highway user revenues be disbursed for highway purposes only.

(b) To provide that funds derived from state highway user taxes be set aside as a subsidy for all toll highways within the state, to the extent of one-third of the total of interest, sinking fund and reserve funds, repairs and operating expenses.

(3) To organize a study of insurance rates and actuary figures designed to bring about uniform, fair, yet profitable rates for motor vehicle insurance.

(4) To organize a study of speed laws, road signs, safety features, so that all state highways would eventually have the same motor vehicle laws, road signs and the same penalties.

The first result of the above suggestions would be to bring about a prompt reduction of at least one-third of turnpike toll rates. Moreover, substantial additional funds would be made available for the improvement of lateral and feeder roads. But the main and most important result would be the development of an integrated, interconnected, standardized system of trunk highways in our country.

It should be carefully noted that the proposed organization to have charge of this great highway development would not require any additional political appointments, nor would it create any new jobs or any great amount of expense. The work would be handled by the engineers of the various states and the only new expenditures probably would be limited to national or regional conferences and the necessary correspondence.

The suggested procedure would also result in the elimination of confusion as to regulations for motor vehicles. The path is relatively clear and needs only minor adjustments with regard to passenger cars. However there is a great deal to be done for the motor truck industry. These people are plagued with regulations and divergent laws on operation, load requirement, size restrictions, individual state use licenses, Interstate Commerce Commission licenses, together with numerous restrictions and prohibitions. Very often a transcontinental freight truck has to be unloaded at some state border, its contents inspected and weighed, its driver's papers examined, much as is customary between bordering European countries. It is expressively stipulated in this country of ours that no state shall set up a customs house at its borders, yet motor truck regulation is approaching such a condition of affairs. All this adds to loss of time and to the expense of shipping and operation. There is little point in sending a motor truck hurrying over a toll turnpike only to have it stopped for perhaps hours at some state border. Moreover weight restrictions sometimes require that part of the cargo be left along the roadside at some weighing station, thus posing a problem for the truck driver as to how to protect from pilfer the freight he is charged to safely deliver. Uniformity for this industry is as important as for the railroads. The motor truck freight carriers do an enormous job in this country. A freight car can be sealed in Los Angeles and go right straight through to New York, but not so with a motor truck. The whole matter needs to be studied, analyzed and revamped into uniform regulation on a national basis.

There can be no doubt but that the program outlined above will produce sufficient funds. In 1951 motor fuel taxes collected by the various states amounted to $1,960,830,000. In that year a total of 51,913,965 motor vehicles and 62,193,495 drivers were registered. Even at as low an average rate as $10 per vehicle and $1 per operator's license, the collections, both Federal and state, as proposed for the program would be approximately as follows:

Fed. excise taxes (50% of total)	$929,780,000
State motor fuel taxes	1,960,830,000
State registration fees	519,139,650
State drivers licenses	62,193,495
	$3,471,943,145

This total would indicate an average of roughly $70,000,000 for each state together with the District of Columbia, and should provide sufficient funds for the construction, marking, policing and operation of the entire highway and feeder road system of the nation, and leave ample money availablbe for the proposed state subsidy of toll turnpikes.

It will take a hard fight and a lot of work to put this program into effect, but the results will be tremendously profitable to the country as a whole. Travel and shipping will be facilitated, costs reduced, the states will be obligated to pay for their toll turnpikes through the subsidy, state highway engineering departments would be more efficiently operated, and the economic benefits of the motor industry would be more secure against a depression. It has all got to come, so the best way is to make a concentrated effort right from the start. Motor manufacturers, oil companies, the hotel and motel trade, and all other industries connected with highway travel should give aid and support to this program for perpetuating the marvelous motor industry, the greatest development in the Twentieth Century.

Doman Helicopters Stock at $3 a Share

Greene & Co., New York City, members of the New York Security Dealers Association, are publicly offering "as a speculation" an issue of 53,852 shares of common stock (par $1) of Doman Helicopters, Inc. at $3 per share.

It is intended that the net proceeds will be used to pay $100,000 accounts payable and $34,630 will be used in C. A. A. certification of the LZ-5, which is designed to meet specific needs of the Army Field Forces.

Doman Helicopters presently produes the YH-31 utility and medical evacuation helicopter and its commercial counterpart, the Doman LZ-5. Corporation occupies a hangar-type structure of 30,000 square feet located at the Municipal Airport in Danbury, Conn.

With First California

(Special to The Financial Chronicle)

FRESNO, Calif.—V. F. Dove has become connected with First California Company, Bank of America Building.

With Protected Investors

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Florence L. Loo has joined the staff of Protected Investors of America, Russ Building.

Davies Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Frank A. Smrekar has been added to the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Schwanz & Co. Adds

(Special to The Financial Chronicle)

AURORA, Ill.—James H. Goudie, Jr. has been added to the staff of Schwanz & Company, Inc., Merchants National Bank Building.

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.

American Independence Life Insurance Co., Houston, Texas.
July 14 filed 50,000 shares of preferred stock (no par) and 50,000 shares of common stock (no par) to be offered to commissioned officers of the uniformed services of the United States in units of five shares of each class of stock. **Price**—$495 per unit. Payment may be made in 36 equal monthly instalments of $13.75 each. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

Applied Science Corp. of Princeton
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.

Arizona Bancorporation, Phoenix, Ariz.
July 17 filed 150,000 shares of common stock being 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.

★ Arkansas Minerals, Inc., Oklahoma City, Okla.
Aug. 19 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For diamond core drilling (barite mining). **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **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.

★ Bald Eagle Gold Mining Co., Kingman, Ariz.
Aug. 19 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For developing and blocking ores and for 50-ton mill. **Underwriters**—Neal M. Sprague and Al Dinelli, both of Needles, Calif.

★ Blackwood & Nichols Co., Oklahoma City, Okla., and The Oil and Gas Co., Madison, N. J.
Aug. 24 filed $2,000,000 of "Contributions" to be offered for sale "as a speculation." **Proceeds**—To acquire and develop oil properties. **Underwriter**—None.

● 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**—$1.25 per share to stockholders, $1.35 per share to public. **Proceeds**—To retire debt. **Office** — 504 W. Euclid Avenue, Springfield, O. **Underwriters** — Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

★ California Central Airlines, Inc.
Aug. 24 filed $600,000 of 7% convertible equipment trust certificates, series A, due Sept. 1, 1957, and 400,000 shares of common stock (par 50 cents). **Price**—100% of principal amount for certificates and 75 cents per share for stock. **Proceeds**—To acquire five Martinliners and the spare parts. **Office**—Burbank, Calif. **Underwriters**—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

Carolina Telephone & Telegraph Co. (9/16)
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders of record Sept. 16 in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None.

Central Eureka Corp., San Jose, Calif.
Aug. 12 (letter of notification) approximately 190,000 shares of common stock (par $1). **Price**—To not exceed an aggregate of $199,465. **Proceeds**—For operating capital. **Office** — Berryessa Road, San Jose, Calif. **Underwriter**—Davies & Co., San Francisco, Calif.

Central Hudson Gas & Electric Corp. (9/9)
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 an oversubscription privilege), with rights to expire Sept 25. The remaining 20,000 shares 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).

Central Illinois Public Service Co. (9/9)
Aug. 14 filed 350,000 shares of common stock (par $10). **Proceeds**—To reimburse the company, in part, for the costs of property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers; Glore, Forgan & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (CDT) on Sept. 9.

★ Clary Multiplier Corp., San Gabriel, Calif.
Aug. 19 (letter of notification) not exceeding 30,000 shares of common stock (par $1). **Price** — At market (approximately $6.87½ per share). **Proceeds** — For working capital. **Underwriter**—Walston & Co., San Francisco, Calif.

Colo-Kan Fuel Corp., Denver, Colo.
June 29 (letter of notification) 940,000 shares of class A common stock (par five cents). **Price** — 9½ cents per share. **Proceeds**—For drilling expenses and equipment. **Office**—711 E & C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley & Co., Denver, Colo.

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.

● 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**—To be received up to 11:30 a.m. (EDT) on Sept. 1 at 48 Wall Street, New York 5, N. Y.

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**—$30 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

NEW ISSUE CALENDAR

August 31 (Monday)
Southern Union Gas Co.________________Common
(Offering to stockholders—not underwritten) 108,350 shares
Trans-Penn Transit Corp.______________Common
(Bids noon EDT) 404,500 shares
Wisconsin Power & Light Co.______________Bonds
(Bids noon CDT) $8,000,000

September 1 (Tuesday)
Duke Power Co.__________________________Bonds
(Bids 11.30 a.m. EDT) $35,000,000
Hollingshead (R. M.) Corp.______________Common
(Drexel & Co.; Hemphill, Noyes & Co.; and Stroud & Co., Inc.) 20,000 shares

September 2 (Wednesday)
Duke Power Co.__________________________Common
(Offering to stockholders—no underwriting) 208,321 shares
Northland Oils, Ltd.____________________Common
(M. S. Gerber, Inc.) $150,000
Southern Bell Telephone Co.__________Debentures
(Bids 11 a.m. EDT) $30,000,000

September 3 (Thursday)
Illinois Bell Telephone Co.______________Common
(Offering to stockholders—no underwriting) 568,703 shares
Southeastern Public Service Co.__________Common
(Foster, Singer & Co. and Bioren & Co.) $132,000
Wabash RR. _________________Equip. Trust Ctfs.
(Bids noon EDT) $2,820,000

September 8 (Tuesday)
Thompson (H. I.) Fiber Glass Co.________Common
(Sutro & Co.) 50,000 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
Central Illinois Public Service Co.______Common
(Bids 11 a.m. CDT) 350,000 shares

September 10 (Thursday)
Household Finance Corp.____________Debentures
(Lee Higginson Corp.) between $20,000,000 and $25,000,000
Southern Pacific Co.___________Equip. Trust Ctfs.
(Bids noon EDT) $5,250,000

September 14 (Monday)
Public Service Co. of New Hampshire______Bonds
(Bids noon EDT) $7,000,000
Tennessee Gas Transmission Co_______Debentures
(Bids 11 a.m. EDT) $20,000,000

September 15 (Tuesday)
Duquesne Light Co._______________________Common
(Bids to be invited) 184,739 shares
General Motors Acceptance Corp._______Debentures
(Morgan Stanley & Co.) $150,000,000
Ionics, Inc._____________________________Common
(Lee Higginson Corp.) 131,784 shares
Mountain Fuel Supply Co.________________Common
(The First Boston Corp.) 303,080 shares
Pacific Telephone & Telegraph Co._________Debs.
(Bids noon EDT) $50,000,000
Tennessee Gas Transmission Co.__________Preferred
(Stone & Webster Securities Corp. and White, Weld & Co.) $10,000,000

September 16 (Wednesday)
Carolina Telephone & Telegraph Co.______Common
(Offering to stockholders—no underwriting) 33,320 shares
Louisiana Power & Light Co._______________Bonds
(Bids noon EDT) $12,000,000
Stauffer Chemical Co.______________Debentures
(Morgan Stanley & Co.) $15,000,000
Stauffer Chemical Co.____________________Common
(Morgan Stanley & Co.) 325,000 shares
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 21 (Monday)
Greer Hydraulics, Inc.______________Debentures
(Burnham & Co.) $1,500,000
Pacific Gas & Electric Co.______________Common
(Offering to stockholders—underwriter may be Blyth & Co., Inc.) 1,946,829 shares

September 22 (Tuesday)
Duquesne Light Co.________________________Bonds
(Bids to be invited) $12,000,000

September 29 (Tuesday)
Indiana & Michigan Electric Co.___________Bonds
(Bids to be invited) $15,000,000
Worcester Gas Light Co.__________________Bonds
(Bids 11:30 a.m. EST) $3,000,000

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 11 a.m. EST) $4,000,000

October 9 (Friday)
American Fidelity & Casualty Co._______Preferred
(Geyer & Co.) $750,000

• Duquesne Light Co. (9/15)
Aug. 19 filed 184,739 shares of common stock (par $10), of which 150,000 shares are for account of company and 34,739 for account of Standard Power & Light Co. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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); Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received on Sept. 15, with public offering scheduled for Sept. 17.

Duquesne Light Co. (9/17)
Aug. 19 filed 100,000 shares of preferred stock (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received on Sept. 17, with public offering on Sept. 18.

Duquesne Light Co. (9/22)
Aug. 19 filed $12,000,000 of first mortgage bonds due Sept. 1, 1977. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received on Sept. 22, with public offering on Sept. 24.

★ Dynatronics Corp., Reno, Nev.
Aug. 19 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For manufacture of electronic equipment. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

Eagle Super Markets, Inc., Moline, Ill.
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital. **Office**—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Safety Bldg., Rock Island, Ill.

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.

★ General Credit, Inc., Washington, D. C.
Aug. 24 filed 150,000 shares of participating preference stock (par $1) and 150,000 shares of common stock (par five cents), to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Underwriter** — John R. Boland, New York. **Offering**—Expected shortly after Labor Day.

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 Hydrocarbons Corp., Oklahoma City, Okla.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None.

★ General Investors Trust, Boston, Mass.
Aug. 20 filed 200,000 shares of beneficial interest (in an aggregate amount of $1,224,000). **Proceeds** — For investment. **Underwriter**—None.

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.

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.

★ Greer Hydraulics, Inc., Brooklyn, N. Y. (9/21-24)
Aug. 24 filed $1,500,000 of 5½% convertible sinking fund debentures, due Sept. 1, 1965. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Burnham & Co., New York.

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.

★ Hedges Diesel, Inc. (N. J.)
Aug. 24 (letter of notification) 10,000 shares of Class A common stock and 20,000 shares of Class B common stock. **Price**—At par ($10 per share). **Proceeds**—To erect plant and for new equipment, and working capital. **Office**—Marlton, N. J. **Underwriters**—None.

Hollingshead (R. M.) Corp., Camden, N. J. (9/1)
Aug. 17 (letter of notification) 20,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Drexel & Co.; Hemphill, Noyes & Co.; and Stroud & Co., Inc.

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.

★ Household Finance Corp., Chicago, Ill. (9/10)
Aug. 21 filed $5,000,000 of 5-year debentures due Sept. 15, 1958 and $10,000,000 of 15-year debentures due Sept. 15, 1968. **Price**—To be filed by amendment. **Proceeds**—To reduce bank loans. **Underwriters** — Lee Higginson Corp., New York, and William Blair & Co., Chicago, Ill.

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.

• Illinois Bell Telephone Co. (9/3)
Aug. 14 filed 568,703 shares of capital stock to be offered for subscription by stockholders of record Sept. 3 on the basis of one new share for each six shares held; rights to expire on Oct. 1. A total of 3,388,832 shares (99.31%) of the outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None.

★ Illinois Telephone Co., Bloomington, Ill.
Aug. 24 filed 20,000 shares of cumulative preferred stock, series B (par $50). **Price** — To be supplied by amendment. **Proceeds** — For new construction and improvements. **Underwriter**—Harris, Hall & Co. (Inc.), Chicago, Ill.

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 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.

★ Interstate Oil & Development Co., Elko, Nev.
Aug. 19 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For drilling expenses. **Address**—P. O. Box 1186, Elko, Nev. **Underwriter**—None.

★ Investors Planning Corp., New York
Aug. 20 filed $15,000,000 aggregate amount of the company's shares. **Business** — Investment. **Underwriter**—None.

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.

★ Kenwell Oils & Mines Ltd., Toronto, Canada
Aug. 20 filed 1,400,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—To be supplied by amendment.

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.

Los Gatos Telephone Co. (Calif.)
Aug. 12 (letter of notification) 29,773 shares of 5% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To buy equipment, pay debt and for working capital. **Office**—11 Montebello Way, Los Gatos, Calif. **Underwriter**—None.

Louisiana Power & Light Co. (9/16)
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. 16.

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.

★ Merritt-Chapman & Scott Corp., New York
Aug. 20 filed 45,912 shares of common stock (par $12.50) to be offered in exchange for 57,389 shares of common stock (no par) of Fitz Simons & Connell Dredge & Dock Co. on an eight-for-ten basis. It is proposed to acquire not less than 80% of said Fitz Simons & Connell shares. **Underwriter**—None.

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.

★ Michigan Lloyd J. Harriss Pie Co.
Aug. 19 (letter of notification) $120,000 of 7% first mortgage bonds. **Price**—At par. **Proceeds**—To complete and equip pie plant. **Office** — 350 Culver St., Saugatuck, Mich. **Underwriter**—None.

★ Mountain Fuel Supply Co., Salt Lake City, Utah (9/15)
Aug. 25 filed 303,080 shares of capital stock (par $10). **Price** — To be supplied by amendment. **Proceeds** — To Ohio Oil Co., who will continue to hold 177,777 shares. **Underwriter**—The First Boston Corp., New York.

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 (9/2)
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

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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 Telephone & Telegraph Co. (9/15)
Aug. 14 filed $50,000,000 of 31-year debentures due Sept. 15, 1984. Proceeds—To reduce bank loans. Underwriters—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). Bids—Expected to be received up to noon (EDT) on Sept. 15.

Pan American Petroleum & Transport Co.
Aug. 13 filed $4,920,000 of Participations in Employees Savings Plan of this company and its subsidiaries, together with 66,151 shares of $25 par capital stock of Standard Oil Co. (Indiana) offered for purchase by the trustee under such plan. Standard Oil owns approximately 79% of the issued and outstanding common stock of Pan American Petroleum.

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.

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.

★ Pine Street Fund, Inc., New York
Aug. 21 filed 125,000 shares of capital stock. Price—At market. Proceeds—For investment. Underwriter—None.

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.

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.

● Public Service Co. of New Hampshire (9/14)
Aug. 19 filed $7,000,000 of first mortgage bonds, series G, due 1983. Proceeds—To repay bank loans. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co. Inc. (jointly). Bids—Tentatively expected to be received up to noon (EDT) on Sept. 14 at company's office in Boston, Mass.

★ Remington Corp., Auburn, N. Y.
Aug. 19 (letter of notification) up to 7,000 shares of common stock (par $1) to be offered to employees. Price $3.25 per share. Proceeds—For general corporate purposes. Underwriter—None.

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 being offered to stockholders on basis of one new share for each two shares held on July 22; rights to expire Sept. 18. Price—At par ($25 per share). Proceeds—For working capital. Office—Fairview Place, Kensington, Conn. Underwriter—None.

● 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—Indefinitely postponed.

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—Indefinitely postponed.

★ Segal Lock & Hardware Co., Inc., New York
Aug. 20 (letter of notification) 60,000 shares of common stock (par $1) to be offered to creditors of company. Price—Not exceeding par. Proceeds—To liquidate indebtedness. Underwriter—None. Office—395 Broadway, New York, N. Y.

Selected Risks Indemnity Co.
Aug. 13 (letter of notification) 8,500 shares of capital stock (par $10) to be offered to stockholders of record Sept. 1, 1953 on the basis of one new share for each 8 7/17 shares held; rights to expire Oct. 1, with payment due on or before Nov. 5. Price—$35 per share. Proceeds—For working capital. Underwriter — None. Office — Branchville, N. J.

★ Silver Dollar Exploration & Development Co., Spokane, Wash.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. Price — 30 cents per share. Proceeds—For exploration. Office—West 909 Sprague Ave., Spokane, Wash. Underwriter — Mines Financing, Inc., Spokane, Wash.

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.

★ Southeastern Public Service Co. (9/3)
Aug. 20 (letter of notification) 17,600 shares of common stock (par 10 cents). Price—$7.50 per share. Proceeds—For general corporate purposes, including investment in the subsidiary operating the Texas properties. Underwriters—Troster, Singer & Co., New York, and Bioren & Co., Philadelphia, Pa.

Southern Bell Telephone & Telegraph Co. (9/2)
Aug. 18 filed $30,000,000 of 24-year debentures due Sept. 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—To be received up to 11 a.m. (EDT) on Sept. 2 at Room 2315, 195 Broadway, New York, N. Y.

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 (with an oversubscription privilege); rights to expire Oct. 7. Price—$18 per share. 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. Undewriter—White, Weld & Co., New York.

★ Stauffer Chemical Co., New York (9/16)
Aug. 27 filed $15,000,000 of 20-year debentures due Sept. 15, 1973, and 325,000 shares of common stock, of which 15,000 shares are for the account of selling stockholders. Price—To be supplied by amendment. Proceeds—To retire bank loans and for working capital. Underwriter—Morgan Stanley & Co., New York.

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.

Tennessee Gas Transmission Co. (9/14)
Aug. 14 filed $20,000,000 of debentures due 1973. Proceeds—To repay bank loans. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). Bids—To be received up to 11 a.m. (EDT) on Sept. 14 at office of Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

Tennessee Gas Transmission Co. (9/15)
Aug. 14 filed 100,000 shares of a new class of preferred stock (par $100). Price—To be supplied by amendment. Proceeds—To repay bank loans. Underwriters—Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

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. Statement effective July 31.

● Thompson (H. I.) Fiber Glass Co. (9/8-9)
Aug. 17 filed 50,000 shares of capital stock (par $1). Price—To be supplied by amendment. Proceeds—To selling stockholders. Office—Los Angeles, Calif. Underwriter—Sutro & Co., San Francisco and Los Angeles, Calif.

● Torrington Manufacturing Co., Torrington, Conn.
Aug. 6 (letter of notification) 12,000 shares of common stock (par $6.25) being offered to common stockholders of record Aug. 4 on basis of one new share for each 10 shares held; rights to expire on Sept. 4. 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 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.

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.

★ Value Line Income Fund, Inc., New York
Aug. 24 filed 2,500,000 shares of capital stock. Price—At market. Proceeds—For investment. 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.

★ Westinghouse Air Brake Co. (9/16)
Aug. 21 filed $35,000,000 of sinking fund debentures due Sept. 1, 1978. Price — To be supplied by amendment. Proceeds — To retire LeTourneau-Westinghouse bank loan of $30,000,000 and, together with other funds, to retire bank loan of Le Roi Co., another subsidiary. Underwriter—The First Boston Corp., New York.

● Wisconsin Power & Light Co. (8/31)
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—To be received up to noon (CDT) on Aug. 31 at 20 No. Wacker Drive, Chicago 6, Ill.

● Wisconsin Power & Light Co.
Aug. 5 filed 20,000 shares of 4.80% cumulative preferred stock (par $100) being 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—For preferred, at par and dividends; and for common, $19.60 per share. Proceeds — To acquire stock of Interstate Power Co. and for new construction. Underwriters—Smith, Barney & Co. and Robert W. Baird & Co.

★ Worcester Gas Light Co. (9/29)
Aug. 25 filed $3,000,000 of first mortgage sinking fund bonds, series B, due Sept. 1, 1973. Proceeds—To retire bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. Bids—Tentatively expected to be received up to 11:30 a.m. (EST) on Sept. 29 at company's office, 10 Temple St., Cambridge, Mass.

Prospective Offerings

● American Fidelity & Casualty Co. (10/9)
Aug. 26 it was stated registration is planned for around Sept. 15 of 150,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders on a share-for-share basis, about Oct. 9; rights to expire Oct. 24. Certain stockholders have waived their rights to purchase the new shares. Price—To be named later. Proceeds — For working capital. Underwriter—Geyer & Co., New York.

American Telephone & Telegraph Co.
Aug. 19 directors voted to recommend to stockholders that they authorize a new issue of convertible debentures in an amount not to exceed $625,000,000 at a meeting to be held on Oct. 14. Price—Expected at par. Proceeds—For advances to subsidiary and associated companies. Underwriter—None. Offering—To be made to stockholders.

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.

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic City Electric Co.
Aug. 17, B. L. England, President, indicated that the company early next year expects to raise $14,000,000 to $16,000,000 through the sale of bonds and both preferred and common stock. **Proceeds**—To repay bank loan and for new construction.

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.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Bates Manufacturing Co.
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. **Proceeds**—To purchase properties in the South. **Underwriters**—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. **Plan Opposed**—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

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.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

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.

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.

★ Eastern Industries, Inc.
Aug. 20 stockholders were to vote to create an issue of 200,000 shares of preferred stock (par $10), a portion of which will be offered publicly. **Underwriters** — Blair, Rollins & Co., Inc. and Cohu & Co., both of New York. **Registration**—Expected in September.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

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.
Aug. 24 company received SEC authority to acquire 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 such securities 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).

★ General Motors Acceptance Corp. (9/15)
Aug. 26 it was announced that corporation expects to file a registration statement with the SEC on Friday (Aug. 28) to cover an issue of $150,000,000 eight-year debentures, due Sept. 15, 1961. **Proceeds**—To be used to finance increased volume of business. **Underwriter**—Morgan Stanley & Co., New York.

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probable Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

★ Hartford Electric Light Co.
July 29 it was reported company plans to offer to its common stockholders 105,500 additional shares of common stock on a 1-for-8 basis before Dec. 31, 1953, probably without underwriting. **Proceeds**—For construction program.

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.

● Indiana & Michigan Electric Co. (9/29)
Aug. 14 it was reported company is planning issuance and sale of $15,000,000 first mortgage bonds due 1983 and $5,000,000 to $7,000,000 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. SEC permission has been given to company to see if a better price for the preferred stock could be received by negotiation. **Bids**—For bonds: Expected about Aug. 28.

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.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prcoeeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

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 received up to 11 a.m. (EST) on Oct. 6 at Suite 2000, 20 Pine Street, New York, N. Y.

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). An oversubscription privilege is also provided. **Price**—To be announced later. **Proceeds**—To retire bank loans. **Dealer-Manager**—The First Boston Corp., New York.

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.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque. N. M.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

★ Pacific Gas & Electric Co. (9/21)
Aug. 19 it was announced early registration is expected of an issue of 1,946,829 additional shares of common stock (par $25) which are to be offered for subscription by common stockholders of record Sept. 15 on the basis of one new share for each seven shares held; rights to expire on or about Oct. 2. Warrants are expected to be mailed on Sept. 18, and the subscription period is expected to open on Sept. 21 and close on Oct. 6. **Price**—To be determined prior to the effective date of the registration statement. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Blyth & Co., Inc., San Francisco, and New York.

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

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stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. (See also proposed bond financing under "Securities Now In Registration" in a preceding column of this issue.)

Pennsylvania Water & Power Co.
Aug. 11 it was reported company is considering issuance and sale of from $9,000,000 to $10,000,000 additional bonds. **Proceeds**—For construction program. **Underwriter**—May be The First Boston Corp., New York. **Offering**—Expected to be made privately.

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.

● Public Service Electric & Gas Co. (10/28)
Aug. 20 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds due 1983. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp. If by negotiated sale, Morgan, Stanley & Co., Drexel & Co. and Glore, Forgan & Co. may head syndicate. **Bids**—Expected late in October. **Registration**—Planned for Sept. 30.

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. **Meeting**—Stockholders to vote Sept. 17 on increasing authorized common stock from 3,000,000 to 4,000,000 shares. **Offering**—Not imminent.

Riddle Airlines, Inc., New York
Aug. 11 it was announced company plans future public financing to secure cargo transport aircraft.

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 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.

Seaboard Finance Co.
Aug. 11 it was reported company may do some public financing (probably in the form of debentures) before the end of this year. **Underwriter**—May be The First Boston Corp., New York.

★ Segal Lock & Hardware Co., Inc.
Aug. 24 it was announced stockholders will vote Sept. 14 on authorizing an issue of $975,000 of convertible debentures (each $100 principal amount to be convertible into 66⅔ shares of capital stock). **Proceeds**—To acquire remaining 50% of stock of Arrow Lock Corp. **Underwriters**—For $115,000 of debentures: Edward C. Sterling, Meade Johnson and I. D. Robbins, all directors of the company, who will also have the privilege to purchase any debentures not subscribed for by other stockholders.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518. Rehearing by FPC to be held Aug. 10.

★ Southern New England Telephone Co.
Aug. 17 it was reported company plans an offering of 500,000 additional shares of common stock to common stockholders on a 1-for-8 basis. **Offering**—Expected early in October. **Underwriter**—None.

★ Southern Pacific Co. (9/10)
Bids will be received by the company up to noon (EDT) on Sept. 10 for the purchase from it of $5,250,000 equipment trust certificates, series KK, to be dated Sept. 1, 1953 and to mature in 15 equal annual instalments up to Sept. 1, 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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).

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.

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.

Trans-Penn Transit Corp. (Pa.) (8/31)
Aug. 17 it was announced that all of the issued and outstanding capital stock of this corporation (404,500 shares of common stock, par $1) will be sold by 61 Broadway Corp. at a judicial auction on Aug. 31 (at noon) in Room 325, County Court House, Pearl & Centre Sts., New York, N. Y.

Virginia Electric & Power Co.
Aug. 7 it was reported company may issue and sell about $12,000,000 additional common stock this Fall. **Underwriter**—Stone & Webster Securities Corp., New York.

★ Wabash RR. Co. (9/3)
Bids will be received by the company at 44 Wall St., New York 5, N. Y., up to noon (EDT) on Sept. 3 for the purchase from it of $2,820,000 equipment trust certificates, series E, to be dated Sept. 1, 1953, and to mature annually from Sept. 1, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co., Dick & Merle-Smith and Wood, Struthers & Co. (jointly).

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.

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.

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Last of Commentaries on an "Inside View of the United Nations"

that two of the six non-permanent members of the Security Council are elected every year proves either carelessness or lack of familiarity with the Charter. Three are elected each year for two-year terms.

All 23 non-permanent members mentioned were Charter members and the U. S. went into the UN knowing they were in it. Moreover, they had all been associated with the fighting allies who called themselves "United Nations."

Their election by the General Assembly was by secret ballot in which the U. S. participated. The three elected last October, Colombia, Lebanon and Denmark, were elected by almost unanimous votes: 58 out of 60 for Colombia and Lebanon; 56 out of 60 for Denmark.

Mr. Robertson and others of us have a right not to like "military despotisms," but we can't make them over. We wrote into the Charter the principle of sovereign equality which means that we must not interfere with domestic affairs of other nations.

I have passed up most of Mr. Robertson's comments on individual nations because of the principle mentioned in the preceding paragraph. But I'd like to ask this question about Egypt: Is Gen. Naguib worse or better than King Farouk who was in power when the UN was formed and who ruled with the support of the Wafdists?

Lebanon may be "a very new arrival in the family of nations," but her civilization is much older than that of the U. S. and her leading representative in the UN, who is also her Minister to the U. S., is Charles Malik, who can be equalled by very few Christian statesmen in any country.

Pakistan is another "newcomer," as a nation, but another old timer in civilization.

Again, Mr. Robertson gets onto the world government bogey, asking if the Security Council is "a World Parliament." Neither the Security Council nor the General Assembly nor the whole UN is a World Parliament in the usual sense of that term which means legislative body. The Assembly, in particular, is a parliament in the literal sense, i.e., a place for speaking. It is sometimes called the "Town Meeting of the World." But "town meetings" are for information and discussion, not for legislation.

Neither is the UN "a great administrative body," except as its members ask it to administer certain operations on their behalf. And here it is well to note that nearly all its decisions are taken by majorities ranging from ⅔ to 9/10. And almost invariably, the U. S. is in that majority. Indeed, I cannot recall a vote of importance when we were not in the majority.

General Comments

(1) The 60 members of the UN typify the world as it is today, the world in which all of us must live. Imperfect as it admittedly is (a human institution, less than eight years old—born 10-24-45) it is the best presently available instrument to meet the world situation.

(2) To a considerable extent, the Security Council has been supplanted by the General Assembly under the "Uniting for Peace" resolution of 1950. (I recommend a reading of A. H. Feller's "United Nations and World Community" to show this and other developments.) One evidence of the place to which the Security Council has been relegated (partly by Russia's abuse of the veto) is the fact that it held no meetings in June, 1953; indeed the last previous meeting appears to have occurred on Dec. 23, 1952.

(3) The U. S., strong as it is, cannot "go it alone." Taft was misquoted as saying that we should and he promptly admitted we can't. In his speech to the Junior Chamber of Commerce in Minneapolis last June, President Eisenhower said: "This nation and all nations defending freedom, everywhere in the world, are one in their common need and their common cause — and none can safely seek security alone." Repeatedly, the President has expressed his determination to support the UN.

(4) Criticism, especially the kind that is not constructive, does not offer a better substitute, is less useful and effective than determination to use and to improve what is not yet perfect. In the book mentioned above, Mr. Feller says: "The binding force of a constitution is the devotion of the people to its principles and their determination to abide by its prescriptions."

You may recall that the preamble to the Charter begins thus: "We, the Peoples of the United Nations, determined to save succeeding generations from the scourge of war. . . ." It is that determination to use the best we have today and make it better that is more needed than petty criticism of its weaknesses.

EDITOR'S NOTE—The author of the foregoing commentary, Mr. Cyrus P. Barnum, was Director, International Relations Project, University of Minnesota, 1931 to 1935; Executive Assistant and Assistant Secretary of Rotary International, Chicago, 1935 to 1947; and Rotary Consultant at UN Conference in San Francisco, 1945. By visits to UN headquarters, contacts with its leaders and by correspondence, he keeps in touch with this international agency.

GEORGE N. SHUSTER
President, Hunter College, New York City

I have read Mr. Robertson's essay with interest. What he says is true enough but it is not the whole truth. That the world is in the state it happens to be in is not the fault of the UN but results logically from blunders made during and after the war.

It seems to me that if Mr. Robertson took a good look at what is being done by the specialized agencies of the UN he might become less pessimistic.

O. P. KRETZMANN
President, Valparaiso University, Valparaiso, Indiana

I have always hoped, as so many other Americans have, that the United Nations would be the one thing that might lead us on the way to peace. Despite its internal weaknesses it seems to have the happy effect, at least, of providing a "world town meeting of the air." On the other hand, some of Mr. Robertson's strictures are so evidently correct that one must view the entire situation with a great deal of caution.

Cleveland Analysts To Hold Conference

CLEVELAND, OHIO — The Cleveland Society of Security Analysts has scheduled their initial Great Lakes Regional Conference Oct. 13 and 14. The first day is to be devoted to industry forums and conferences with top corporation management; the second, to field trips. Luncheon speakers and a dinner meeting are also a part of the program.

High-Low-Close of Most Active Stocks To Go on Ticker

Starting on Monday, Aug. 31, a tabulation of the opening, high, low and closing prices, as well as net change and volume, of the 15 most active stocks will be printed on the stock ticker tape. These statistics will appear daily, following the closing bids and offers.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N.Y.

196TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on October 1, 1953, to stockholders of record at the close of business September 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

August 25. 1953

CITY INVESTING COMPANY

25 BROAD STREET NEW YORK 4, N. Y.

The Board of Directors of this company on August 20, 1953 declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable October 1, 1953 to stockholders of record at the close of business on September 15, 1953.

The Board of Directors of this company on August 20, 1953 declared an extra dividend of ten cents a share on the outstanding Common Stock of the company, payable September 15, 1953 to holders of record at the close of business on September 1, 1953.

The Board of Directors of this company on August 20, 1953 declared a stock dividend of fifteen per cent on the $5.00 par value Common Stock of the company, payable September 25, 1953 to holders of Common Stock of record at the close of business on September 1, 1953.

EDWARD FRAHER, Secretary.

CSC
COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 75

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1953, to stockholders of record at the close of business on September 3, 1953.

A. R. BERGEN, *Secretary.*

August 24, 1953.

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (August 25, 1953) declared thirty cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after October 1, 1953, to the stockholders of record on the corporation's books at the close of business September 15, 1953.

MARSHALL G. NORRIS, *Secretary.*

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 889

The Board of Directors has declared Dividend No. 889 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable September 11, 1953, to stockholders of record September 1, 1953.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

August 7, 1953.

Johns-Manville Corporation
JOHNS-MANVILLE JM PRODUCTS

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable September 11, 1953, to holders of record September 1, 1953.

ROGER HACKNEY, *Treasurer*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 154 of fifty cents (50¢) per share on the common stock payable October 15, 1953, to stockholders of record at the close of business on September 15, 1953.

GERARD J. EGER, Secretary

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 157

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable October 1, 1953, to stockholders of record at the close of business on September 15, 1953. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

August 20, 1953

The Board of Directors has this day declared a quarterly dividend of 25 cents per share on the capital stock of this Company, par $10, payable October 1, 1953, to stockholders of record at the close of business September 1, 1953.

STEPHEN G. KENT, *Secretary*

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable September 15, 1953, to shareholders of record August 31, 1953. Checks will be mailed.

A. WEDEMEYER
TREASURER

Philadelphia, Pa.
August 21, 1953

PHILLIES
America's No1 cigar

DIVIDEND NOTICES

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

July 8, 1953

A dividend of fifty (50c) cents per share has been declared, payable September 23, 1953, to stockholders of record at the close of business September 9, 1953. The transfer books of the Company will not close.

JOHN G. GREENBURGH,
Treasurer.

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

August 21, 1953

A cash distribution of One Dollar and Twenty-five cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on September 28, 1953, to stockholders of record at the close of business on September 3, 1953.

ROBERT C. SULLIVAN, *Secretary*

The Parker Appliance Co. INCREASES DIVIDEND

The Directors have declared an increased quarterly dividend of 25¢ per share on common stock of record September 8, 1953. This dividend will be paid September 21, 1953.

F. E. Buescher, Secretary

Parker
Hydraulic and fluid system components

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

August 25, 1953

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Twenty Cents (20¢) per share on its common stock, payable September 25, 1953 to stockholders of record at the close of business on September 11, 1953.

William G. Holman
Treasurer

CHEMICALS TEXTILES PLASTICS
CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A
The regular quarterly dividend for the current quarter of $1.12½ per share, payable October 1, 1953, to holders of record at the close of business September 4, 1953.

7% SECOND PREFERRED STOCK
The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1953, to holders of record at the close of business September 4, 1953.

COMMON STOCK
25 cents per share payable September 25, 1953, to holders of record at the close of business September 4, 1953.

R. O. GILBERT
Secretary

August 25, 1953.

DIVIDEND NOTICES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 143

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 21, 1953, to stockholders of record at three o'clock P. M., on Monday, August 31, 1953. The stock transfer books will not be closed for the payment of this dividend.

E. J. GOODWIN, Treasurer.

New York, N. Y., August 20, 1953.

TENNESSEE CORPORATION
TC TENNESSEE CORPORATION

61 Broadway, New York 6, N. Y.

July 15, 1953

A dividend of fifty (50¢) cents per share has been declared, payable September 24, 1953, to stockholders of record at the close of business September 10, 1953.

JOHN G. GREENBURGH
Treasurer.

Tennessee Gas Transmission Company

DIVIDEND NO. 24

The Board of Directors has declared a quarterly dividend of 35c per share on the Common Stock, payable October 1, 1953 to stockholders of record on September 4, 1953.

J. E. IVINS,
Secretary.

TGT

NATIONAL STEEL *Corporation*
NATIONAL STEEL

95th Consecutive Dividend

The Board of Directors at a meeting on August 19, 1953, declared a quarterly dividend of seventy-five cents per share on the capital stock, which will be payable September 14, 1953, to stockholders of record August 28, 1953.

PAUL E. SHROADS
Vice President & Treasurer

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

IMPORTANT NOTICE
To The
Common Stockholders

The Board of Directors has authorized a capital distribution on the Common Stock, subject to the approval of the Securities and Exchange Commission, of 17 shares of Common Stock of United Gas Corporation for each 100 shares of Electric Bond and Share Company Common Stock held, in accordance with the provisions of the Company's Final Comprehensive Plan for compliance with the Holding Company Act. The distribution will be made on October 5, 1953, to stockholders of record at the close of business on August 31, 1953. No scrip representing fractions of full shares of United Gas Corporation Common Stock will be issued to stockholders. The Company's Agent will sell for the account of stockholders the number of shares of United Gas Corporation Common Stock which would otherwise be represented by scrip for fractional shares and the proceeds will be remitted to stockholders entitled thereto.

B. M. BETSCH,
Secretary and Treasurer

August 24, 1953.

DIVIDEND NOTICES

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock of the Corporation, payable October 1, 1953, to stockholders of record at the close of business on September 10, 1953.

B. H. WINHAM

August 26, 1953 *Secretary*

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable October 1, 1953 to stockholders of record at the close of business September 1, 1953.

JOHN HUME
Secretary

August 21, 1953.

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of thirty-five cents (35c) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25c) per share on the Preferred Stock of this corporation, both payable September 25, 1953, to stockholders of record at the close of business September 14, 1953.

NORMAN TISHMAN, *President*

Edison
Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 177

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 26

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable September 30, 1953, to stockholders of record September 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, September 30, 1953.*

P. C. HALE, *Treasurer*

August 21, 1953

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When President Eisenhower and his Congressional leaders conclave next to decide the unhappy question of whether there shall be a special session to boost the debt limit by $15 billion, they ought in the opinion of experienced political observers to give serious consideration to a broad expansion of the agenda of the session.

In the first place, it is said, if other pieces of important legislation are disposed of at this session, it will take some of the spotlight off the fact that a special session was called for the purpose of demonstrating that the Administration can't see its way toward balancing the Federal budget and reducing taxes soon, as critics will say.

Another curse of the special session is that it will finally bring out into the open something which is no secret to official observers, to wit, that there will not only be a much larger deficit than the $5.6-billion unrevised estimate for the current year, but that there is every prospect of a huge deficit in fiscal 1955 as well.

Senator Harry F. Byrd (D., Va.), whose motive is trying to see clearly where the government is going financially, is likely to see that the facts are brought out. Other Democrats, perhaps from different motives, will see to it that the picture is laid out in its frigid bare outlines, even if Mr. Byrd doesn't.

In any case the question of whether to push through with a request for a special session to boost the debt limit gives the Administration the same happy choice a young man would face, of deciding between marrying the ugly, irritable young woman with whom he became temporarily infatuated in a time of inebriation, or joining the Foreign Legion.

Could Lighten 1954 Load

Besides giving the President something else to talk about other than the debt limit boost in a bedtime radio chat after the special session, a broadening of the agenda would help immeasurably, it is pointed out, in lightening an impossibly packed legislative agenda for the 1954 session.

It doesn't appear to have dawned upon Mr. Eisenhower's advisers what a box they have got themselves in by postponing so many major issues until next year.

One of the major issues is Taft-Hartley Act revision. That this will be quite a circus is evident from the "premature" revelation of the terms of Mr. Eisenhower's tentative proposals for decapitating this Act in the interests of organized labor.

Even though overall tax revision is going by force of circumstance to be as moribund as the New Era of 1929, the formal bowing to these circumstances will be time-consuming and extremely painful.

Mr. Eisenhower and his Treasury Secretary are flatly committed to sending up a tax revision bill to equalize tax burdens and furnish incentives to individual initiative. In the light of the steadfastness with which government spending remains high, this catering to initiative cannot go so far as to reduce perceptibly the shackles of taxation.

On the other hand, the redoubtable Chairman Dan Reed (R, N. Y.) is determined to bring out a tax revision bill with incentives to initiative in the form of lower tax burdens. Dan's pitch will be that Andy Mellon steadily cut taxes after War I and Federal revenues steadily increased notwithstanding, for lower taxes, he says, causes business to move forward, increase production and profits, and hence even at lower rates pay more taxes.

Calvin Coolidge was President of the United States when Andy Mellon was Secretary of the Treasury. Mr. Eisenhower hasn't cozened to the Mellon-Coolidge idea, or he never would have asked for the extension of the Excess Profits Tax.

Hits W & M Committee

Even the considering of tax revision, even if to no purpose, will consume a great deal of the Ways and Means Committee's time. However, that committee will be confronted immediately with a demand that it heave to and continue the corporation income tax rate of 52%, which otherwise on April 1 will drop down to 47%.

However, just to keep the W&M Committee out of mischief, several higher selective excise tax rates also expire March 31, and lower rates come into force unless extended by Congress. Although Mr. Eisenhower at the regular session asked extension of these higher rates, Congress politely ignored the request.

Overall revision plus dealing with expiring higher rates is sufficient to tie a committee up in knots during an election year session, when the boys are sneaking home for weeks at a time from whole state delegations, to give the voters a chance to see why they should be renominated by their parties in primaries. And they want to get out for keeps as soon as possible to work on the voting customers for the November election.

Social Security Arises

However, Mr. Eisenhower laid a social security message before the Congress just before the adjournment in early August. This message proposed the covering of some 10½ millions more persons into the alleged insurance system for the aged. The President also kindly reminded the MC's that he would have some more ideas later on for improving the system when his experts had done with their studying of this subject.

This is another hot one. A good many members, including Dan Reed and his social security subcommittee chairman, Rep. Carl T. Curtis (R., Kans.) think it's about time that they look over the entire "Old Age and Survivors Insurance" scheme and see if they can make it either an insurance scheme or a solvent, pay-as-you-go scheme for providing minimum pensions for all the aged.

This alone would be a major undertaking virtually sufficient to occupy the committee for an entire 6-month session.

Add Reciprocal Trade

However, the entire question of U.S. trade relations with foreign countries again arises in 1954. The President got himself a commission to study this subject also, as the Reciprocal Trade Agreements Act was extended with little change for one year.

If Reciprocal Trade is to be continued, it will be necessary to provide the President with powers to reduce duties still more, in order that further or supplementary trade agreements can made with foreign nations.

This poses the question, delicate in an election year, of asking the members to vote for a still further general lowering of the level of U.S. tariffs against imports.

By an unhappy coincidence, this also is a subject under the jurisdiction of the already heavily loaded Ways and Means Committee.

From the point of view of the Ways and Means Committee's workload, the menu is simply impossible. Even if a special session were to work off one of these major subjects, the committee would still be too busy next year. However, it may be that a special session could not operate on any subject, for none of Mr. Eisenhower's study commissions will be ready to report.

Other Issues

Moreover, the Administration is required to make up its mind about what to do with the expiring farm price supports, terminating at the end of 1954. Will the Administration decide to continue the costly farm program unchanged? Will it cut down farm subsidies in an election year? Or will it have a brand new scheme?

There is no idea as to what will be done about this, yet action must be taken. While this is a subject for the committees on agriculture, it is bound to be a subject of great debate, occupying days and probably weeks on the floors of both houses.

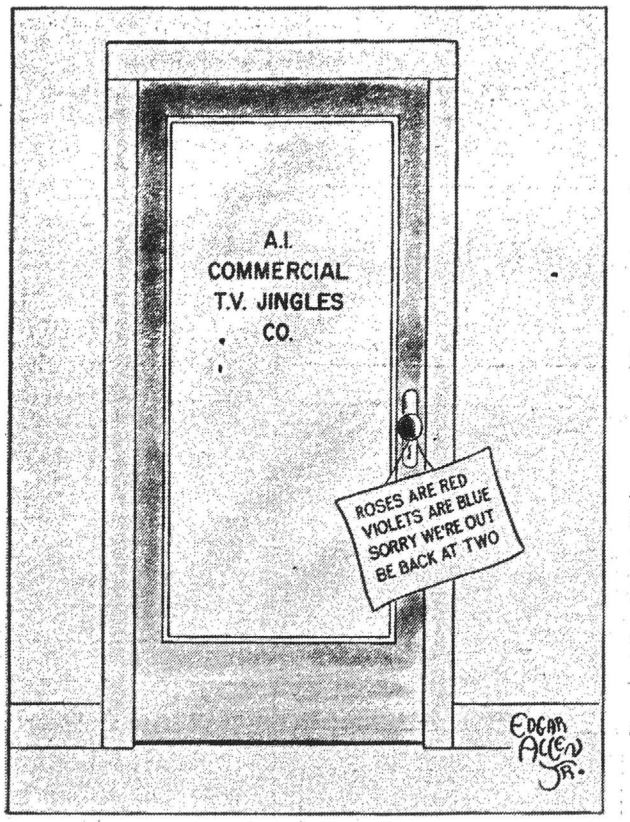
Finally, there is the subject of raising postal rates. This has always been a difficult question, and it is particularly embarrassing in an election year.

So maybe the Administration may try to get some of this out of the way in a special session. Maybe the leaders can contemplate their problem and stop doping themselves up into thinking they can get a program of such magnitude through.

All these issues are promised consideration when the Administration lacks a working majority in Congress.

(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



Cites Growth Quality Of Drug Company Stks.

Harry J. Loynd, President of Parke, Davis & Company, tells San Francisco Security Analysts drug company stocks will continue to be good investments.

Addressing the San Francisco Society of Security Analysts at a luncheon in the St. Francis Hotel on Aug. 21, Harry J. Loynd, President of Parke, Davis & Company declared, "Drug company stocks have been, and will continue to be, good investments — but for long-term, not speculation." He pointed out that some investors, seeking to make quick profits in drug stocks had suffered losses during the current period of readjustment in the pharmaceutical industry.

Harry J. Loynd

"Those who have bought drug stocks on a long-term basis are not concerned with temporary fluctuations and have every reason to expect to wind up with satisfactory returns," he added.

"Other kinds of businesses may fall off, but—good times or not so good — people will always find money to buy good health."

Mr. Loynd, whose 86-year-old firm manufactures a full line of medicinal products, said "well-managed" companies spread research and production costs over many new items.

"The pharmaceutical industry is one of the most interesting of all industries, because—at any time—a new discovery can cause great changes.

"Think, for example, what will happen when our research scientist find the answers to cancer, heart disease and polimyelitis, as they will. From a business standpoint, these developments will mean new products which will add appreciably to drug stock values."

Mr. Loynd pointed out that his company has been dedicated to fundamental scientific investigation since its earliest days, when expeditions were sent to the West Indies, South America and other far-off places in search of new drugs of natural origin. As early as 1902, Parke-Davis erected the first laboratory constructed by a commercial firm specifically for research activities.

"Today a research staff numbering 400 continues to search for new drugs," Loynd said, "and our current research activities extend into all the important fields of medicine and pharmacy."

He declared the present intense competition among pharmaceutical companies "is all to the good of everybody concerned."

There are increasing opportunities overseas for American companies, "not only in sales of our current products but in research for new one," the speaker added.

"Our scientists are the first to tell you we don't have all of the world's research brains in this country," he said, disclosing that Parke-Davis has improved its facilities, or is planning new plants and branches in England, Belgium, Australia, Venezuela, Italy, the Philippine Islands, Mexico, Argentina, Chile, South Africa and India.

"The pharmaceutical industry has grown phenomenally in the past 15 years," he concluded. "But we've only started to grow," Mr. Loynd added.

With A. W. Morris Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Richard H. Harper has become affiliated with A. W. Morris & Co., 8380 Santa Monica Boulevard, members of the New York and Los Angeles Stock Exchanges. He was previously with First California Company.

Francis I. du Pont Adds

(Special to The Financial Chronicle)

PASADENA, Calif. — Gerard Hawkins, Jr. is now affiliated with Francis I. du Pont & Co., 723 East Green Street.