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EDITORIAL

As We See It

A Democratic critic has aptly described the work of the Eisenhower Administration to date as a sort of "shakedown run." Next year, he is right in adding, will be the real test. The President, a military man all his life, was obliged to give most of his time and attention to getting himself nominated and elected from the time he became actively interested in going to the White House until November of last year. Having been chosen to head the nation, he then at once had a sort of personnel problem on his hands. The party which had elected him—with the aid of many who were not and are not "regular" Republicans at all—was badly divided.

The "Old Guard" still held firmly to its original beliefs despite the fact that they had been obliged by the political realities of the situation to accept General Eisenhower. A great many of their ideas were deeply different from those held by the wing of the party which had from the first been supporting the General, and the President-elect was and is at least as much inclined toward this so-called progressive wing of the party as he is toward the old-line Republican group. Somehow a working organization had to be built up which would pull together reasonably well—and be able to command adequate support from both wings of the party, and, for that matter, from substantial elements of the Democratic party. This was a hard and time consuming task, and it has apparently been done well.

Time may prove that the President was right in organizing representatives of all elements in the political life of the nation, and laying upon them the task not only of rallying support for na-

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The Present Outlook For Securities

By LUCIEN O. HOOPER*

W. E. Hutton & Co., Members N. Y. Stock Exchange

Market economist maintains real major change has occurred in international climate, which must result in collapsing much of our huge rearmament program and necessitating something else to fill the business void. Expects production to fall 10% from recent high levels; stock prices to decline 10% more by next June; interest rates to rise secularly; railroad and utility earnings to remain high, with industrial profits falling.

Those of us who are gathered here are engaged in the management of our own and other people's money and savings. We cannot do the good job which people have a right to expect of us unless we are aware of the environment in which we operate. Sometimes, I fear, all of us just stumble along so interested in trees that we fail to be aware of the forest.

L. O. Hooper

Today I want to take you up to the look-out station to survey the broader horizons of politics, finance and economics. I hope to make you see the forest, but I am sure we will miss many trees. I shall cover a lot of ground and do it quickly. I shall raise more questions than I shall answer. I shall develop in your minds, I hope, more imponderables than those of which you now are aware.

At the end, it is my aim to present, I trust with becoming humility, a few broad personal opinions. If past experience, extending over 34 years of active practice of my profession, is any measure of today's effort, some of it will be amazingly good and some of it will be in tragic error. I am impressed with my limitations, and with the limitations of all analysts and economists, but it is not my practice to allow difficult things to go unchallenged. In

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*A speech by Mr. Cooper before the Savings Bank Association of Maine, Poland Springs, Me., Aug. 31, 1953.

The Sustaining Economic Forces Ahead

By GROVER W. ENSLEY*

Staff Director, The Joint Committee on the Economic Report

Contrasting the Communist system with the American free enterprise system, a government economist examines the current economic situation and outlook. Holds there is nothing in present outlook that indicates an inevitable economic recession, and characterizes current situation as one of "steaming stability" supported by "rolling readjustments." Discusses long-run forces in the economic picture, and concludes there'll be no abrupt military demobilization, and magnitude of the cutbacks in government outlays will be less than following World War II. Reviews theories of economic stability and growth.

Success in this nation's role of world leadership and of preserver of freedom depends upon our ability to maintain a strong economy. The doctrinaire Communists have believed that our capitalistic system cannot survive and Soviet strategy for world conquest has placed major reliance on economic collapse in the United States.

Grover W. Ensley

But we are demonstrating in democratic America that the free enterprise system can grow stronger rather than weaker. In simplest terms, this economic strength and growth has meant increased productivity and national output; it has meant raising individual incomes all along the line; it has meant ever-increasing standards of living for the average person; it has meant conservation of physical resources; finally, it has meant strengthening the basic freedoms of choice, of opportunity, and of enterprise. We have made substantial progress even during the recent costly war and defense period.

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*A paper presented by Mr. Ensley before the University of Wisconsin School of Banking, Madison, Wis., Aug. 26, 1953.

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

American Fidelity and Casualty Company — Roy S. Heavner, Vice-Pres., Templeton, Dobbrow & Vance, Englewood, N. J. (Page 2)

National Gypsum Company—William Witherspoon, formerly Security Analyst for Newhard, Cook & Co., St. Louis, Mo. (Page 19)

ROY S. HEAVNER

Vice-President, Templeton, Dobbrow & Vance, Inc., Englewood, N. J.

American Fidelity & Casualty Company

Because casualty premium volume depends to a certain extent on the increase in physical things in the economy (automobiles, population, etc.), an increase in volume consistent with a growing economy would be expected. The increase in production, combined with rate changes, has resulted in a growth of casualty premium volume (all carriers listed by A. M. Best & Company) that has outpaced the national economy during the period 1931-1952. During this same period, however, stock casualty companies have faced increasing competition from mutual carriers and the net result is that the premium volume written by stock carriers has increased less rapidly than Gross National Product. This is illustrated in the computation below.

Roy S. Heavner

	1931	1952	Inc. %
Gross National Product (In billions of dollars)	76.0	346.0	355
*Premiums Written, Stock Casualty Companies (In billions of dollars)	.77	3.17	312

*As listed by A. M. Best & Co.

Because premium volume of the stock casualty companies has increased only about 88% as rapidly as Gross National Product, we do not consider most stock casualty insurance companies as growth situations. To qualify as a growth company it does not seem unreasonable to expect that company sales should grow much more rapidly than the Gross National Product. There are several exceptions to this lack of growth in the stock casualty field and notable among them is the American Fidelity & Casualty Company of Richmond, Va.

Unique Company

American Fidelity & Casualty, organized in 1926, is an organization unique to the insurance industry. By far the greater part of its business consists in writing Bodily Injury and Property Damage insurance on buses and trucks. In 1952, 87.7% of the company's business was in these lines. The company's subsidiary, The American Fidelity Fire Insurance Company, specializes in underwriting Physical Damage insurance on automobiles financed by banks and installment finance companies.

Growth Outstanding

Between 1943 and 1952, truck and bus registrations increased about 95% but the company's consolidated premium writings increased by 432%.

In the following tabulation growth in premium volume is compared with the growth of Gross National Product.

	1931	1952	Inc. %
Gross National Product (In Billions of Dollars)	76.0	346.0	355
*Consolidated Net Premiums (In Millions of Dollars) ----------	.842	23.855	2,733

*Written by American Fidelity & Casualty.

American Fidelity & Casualty's unusual nature stems from (1) the manner in which premium rates are computed and levied, (2) the facilities provided by the company's affiliate, Markel Service, Inc.

Premium rates are assessed individually on each fleet of trucks or buses and then are raised or lowered in line with the actual loss experience. Then too, substantially all of American Fidelity & Casualty's business is written on a monthly premium basis. This is of great advantage in times of rapidly changing loss experience, since premium rates can be altered rapidly to meet current experience.

Markel Service, Inc.

The other unique part of the company's operations is that of its affiliate, Markel Service, Inc. Generally speaking, Markel Service performs three services under contract for American Fidelity & Casualty. They are (1) production of business, (2) safety engineering, (3) investigation and adjustment of claims. Markel's safety engineering service consists of (1) complete examination of assured's rolling stock and servicing equipment, (2) examination of maintenance schedules, personnel and facilities (checking equipment for braking power, lighting, tires, axles, windshield wipers, etc.), (3) examination of schedules to determine if transportation requirements can be met without endangering safety, (4) road patrol. Markel's engineers cruise along main routes in cars equipped with movie cameras to record traffic situations. Markel Service estimates that it has complete records available at its Home Office on over 100,000 drivers.

Underwriting

American Fidelity & Casualty's underwriting record is an enviable one, having earned an underwriting profit (excluding all investment operations) in 24 years of its 27-year history. The company's expense ratio is among the lowest in the field. For the five-year period 1948-1952 the expense ratio averaged 25.2% of premiums written, compared with 36.1% for the industry during the same time. Underwriting profit margins are about in line with the rest of the industry.

American Fidelity & Casualty writes a greater premium volume in relation to its capital funds than almost any other casualty company. In 1952, the company wrote about $4.34 of premiums for every dollar of consolidated capital funds. An average for 12 companies in the stock casualty field for 1952 was $2.50 of premiums for every dollar invested in capital funds. The company can afford this extra leverage because premium rates can be altered rapidly to reflect experience, whereas with other casualty companies, rate increases must await the expiration of the policy.

Investment Results

The fire and casualty insurance industry as a whole has turned in a good record of growth on income from investments. 1951 investment income for stock fire and casualty companies in the United States (as listed by A. M. Best & Company) was 224% greater than in 1940. Contrast this, however, with the record turned in by American Fidelity & Casualty during this period. In 1951 the net investment income for the company was 1,047% greater than in 1940. The return on invested assets before taxes in 1952 was 3.94%, considerably above most casualty companies. Assets were conservatively invested at the 1952 year-end as follows:

31.4%	Bonds
1.4%	Preferred Stocks
10.1%	Common Stocks
1.2%	Real Estate
7.2%	Collateral Loans

The balance of the company's assets was in cash, receivables, and miscellaneous items.

Net Asset Value

Growth in the net asset value of an insurance company over a period of years reflects successful underwriting operations and successful investment operations. From 1942-1952, the net asset value of American Fidelity & Casualty indicated a growth that was approximately 24% greater than the average of nine other leading casualty companies. Net asset value at the end of 1952, before allowance for any tax liability, was $28.54 per share.

Price History

The mean price for the common in 1942 was 9⅞. For 1952, the mean of the high-low was 17⅞. The current asking price over-the-counter is in the neighborhood of 21¾.

Dividends

Dividends have been paid in every year since 1926. The current rate of $1.20 per share is 100% greater than in 1943.

Capitalization

Capital consists of 300,000 shares of 5% cumulative preferred stock (held by Markel Service, Inc.) and 180,000 shares of common stock.

It is expected that some time soon the company will issue 150,000 shares of $5.00 par value preferred stock. This new preferred will be convertible into common stock on a share-for-share basis and will be cumulative for the first five years. (Shareholders will be able to subscribe on a share-for-share basis.) The present preferred will be reclassified into 75,000 shares of junior convertible non-cumulative $5.00 par value preferred stock.

Future Growth

Future growth of American Fidelity & Casualty will, we believe, stem from two sources. The first and most important source of growth will be the continued increase in freight carried by motor trucks. It has been estimated that by 1960 tractor trailer combinations will be carrying about 247,800,000 ton miles of freight. This compares with 91,446,000 ton miles actually hauled in 1950 and represents a growth of about 171%. Should such an increase in the ton miles of freight carried materialize, American Fidelity & Casualty would be greatly benefited.

The second source of growth for the company may stem from increased recognition of the type of service rendered by Markel Service, Inc. (Markel renders its services exclusively to American Fidelity & Casualty.) The high-

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A Perspective on the Bear Market in Bonds

By MARSHALL DUNN*

Wood, Struthers & Co., Members New York Stock Exchange
President, Association of Customers' Brokers

Mr. Dunn points out significance of our heavy public and private debt structure and the costs of its servicing. Traces major swings in money rates over last century and explains causes of fluctuations. Discusses present bond market situation and stresses significance of Treasury refunding operations.

Investors who are interested solely in stocks and real estate, as a rule, are scarcely aware that there is such an activity as a bond market. Yet the total government and private debt of the United States in 1948 was $435,000 million, and as our total national wealth was estimated at just under $800,0000 million, that means that in that year 54 cents of every dollar of our national wealth in structures, machinery and other physical things of value was subject in one way or another to debt, while only fractionally less than 46 cents represented equity. By 1951 our debt had risen by another $85,000 million to an estimated $520,000 million. As to how much greater our national wealth had grown by that time I have seen no estimate; but if it had remained close to $435 billion since 1948, the proportion of debt to wealth would have advanced to 65%. Perhaps the correct proportion is somewhere between 55% and 65%. At any rate, when portions of this debt change hands, we have perforce a bond market.

Marshall Dunn

It costs heavily to service our debt. For instances, when we realize that any drop in the price of bonds which increases the interest rate by as much as 1% raises the average cost of the total annual interest burden on America's debt by about $32.50 for each man, woman, boy, girl and baby, it is not hard to visualize the significance to us individually of what has been going on in our bond market in recent years. Since the highs of bond prices in 1946, bonds have declined appreciably in price to the lows of last June, with the result that the interest rate has risen by over 1% on long-term governments, by about 2% on certain short-term government paper, by almost 1¾% on high-grade municipal bonds, and by about 1% on prime rail and utility bonds. Add to these the increases in the rates on real estate mortgage loans and we get on the average an increased cost of servicing our debt since 1946 of probably somewhere between $32 and $65 per person per year.

Long-Term Appraisal of Bond Yields

For an appraisal over the longer term, I have prepared a homespun chart of the major swings in American money rates extending back almost a century. It is in terms of yield and is placed on inverted semi-logarithmic paper. This makes it possible both to visualize the change in money rates in terms of the rise in bond prices as money rates decline and to approximate by vertical measurements the relative amounts of change. It gives much the same effect as if yields had first been converted to dollar prices and these then plotted on semi-logarithmic paper in the usual way.

On this chart is a heavy line, indicating the yields on high-grade, long-term railroad bonds, as made available from 1857 to 1935 in Fred Macaulay's definitive study entitled "Bond Yields, Interest Rates, Stock Prices," and indicating since 1935 the yields on Moody's Aaa Public Utility bonds. The broken line shows the more violent ups and downs in the rates on short-term commercial paper during this long period of almost a century.

Let us first notice on the chart the long-term bull market in bond prices extending for 42 years from 1857 to 1899. Then for the next 21 years—just half the time required in the preceding major advance—we underwent the first recorded long-term bear market in bonds in the financial history of the United States. This price decline was effected in about three major moves interspersed, as might be expected, by important rallies or recoveries. By the time the bond market reached its bottom in 1920, it had retraced, on the basis of Macaulay's figures, 62% of its preceding long-term rise. If he had used in his average only the top third, qualitywise, of the bonds he did use—with quality being indicated by the lower yields they obtained in the market place—the resulting retracement would have been just 60% of the preceding advance.

Since 1920 high-grade bonds have climbed upward in a second great bull market. This one went on for 26 years and by April, 1946, had made new highs in bond prices so far for all time. Then during the seven years following that top, bond prices declined in two major selling movements and, depending upon the type of security under consideration, had at the lows of last June retraced from 30 to 50% of their preceding major advance following their 1920 lows. It has been my opin-

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*A paper by Mr. Dunn presented as part of a Symposium on the Markets before the Association of Customers' Brokers, New York City, Aug. 27, 1953.

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Investigation and Buying In Investment Banking

By DUDLEY N. SCHOALES*
Partner, Morgan Stanley & Co.
Members, New York Stock Exchange

Pointing out that in investment banking "buying" means about everything connected with bringing a security to the market, except syndication and selling, Mr. Schoales calls attention to major financing trends of last two decades. Describes methods of "getting the business" and the procedures in determining the plan of financing, as well as the provisions which give protection to both investor and issuing concern. Outlines factors determining pricing of securities.

I have been asked to talk to you about investigation and buying in investment banking. The term "investigation" pretty well speaks for itself. The word "buying" on the other hand denotes, in investment banking parlance, something more than what it might mean to a layman.


Dudley N. Schoales

In investment banking language, the term "buying" and the buying departments of investment firms cover a broad field of subjects including:

Compilation of statistics.

Investigation.

Deciding what types of securities are to be issued.

Determination of protective and other provisions of the securities.

Working with lawyers, accountants and company officials in preparing the necessary papers, etc.

In short, "buying" means about everything connected with bringing a security issue to the market except syndication and selling. Thus, my subject covers a lot of territory and I will have to paint parts of it with a very broad brush.

At Morgan Stanley & Co. we are not departmentalized, but I have been in the buying or analytical end of the business rather than in selling and distribution.

Two Major Financing Trends

I would like to point out one or two trends in financing in general over the past 15 years.

First — many of the highest grade corporate bonds which were sold during the 1920's carried interest rates of anywhere from 4% to 6%. With the beginning of Government deficit financing and support of Government bonds, and consequently encouragement of low interest rates, it became possible during the middle and late 1930's to effect substantial savings through refunding the bonds sold in the 1920's or earlier.

Thus, a large proportion of the corporate bond financing during the period of continuously lower interest rates from 1935 to 1944 was for refunding and re-refunding purposes.

The second major financing trend since 1935 is that of private placements. I believe it is fair to state that before 1935 the private placement of securities played a very minor role in the overall financing picture. Since 1935, however, private placements have become an increasingly important factor in the business.

There are no complete statistics as to the total volume of private placements, since little or no information is published as to many of such transactions. However, from the information that is available it would appear that during the past three or four years at least 40% to 50% in dollar amount of all corporate bond issues have been sold privately.

"Getting the Business"

Now let us turn to a discussion of investigation and buying. Perhaps the first item to consider should be: "Getting the Business."

As you know, the freedom of corporate management to choose the method of finance which they consider best for their particular circumstances has been circumscribed in certain industries in recent years through governmental dictation of compulsory competitive bidding.

My firm has always felt that management should be free to choose such form of financing, through competitive bidding or by negotiation with bankers of their own selection, as they may wish.

As to "Getting the Business," the ideal always is that the business will just walk in the door. This sometimes happens, of course, but for the most part—as in all businesses—the best way to get new business is to go after it.

As to companies for whom we have done business in the past, we regularly call upon the officers of the company and discuss with them their operations and financial requirements. We also study all of their published reports and other published data about them and we try to keep currently informed and maintain records as to their interim earnings, balance sheet position and capital expenditures. We do not control any companies, nor do we have any contracts for future financing of any companies. We hope, however, that companies which have financed through us have been pleased with what we have been able to do for them and that based on this past record they will also wish to do their future financing through us.

As to companies for which we have not previously done business but which we hope to secure as our clients, we also study what information—financial and otherwise—we can obtain, so that when we call on their officials we will have some knowledge of their financial condition and some idea as to their financing needs. Naturally we cannot keep currently informed on the great host of United States corporations, but we do select a certain number of the more important companies whose affairs we try to follow regularly. In such cases, where capital expansion, maturities, interest savings or other needs or opportunities for financing appear, we will talk to the company's officers about them.

In keeping ourselves informed as to the various companies which we follow we try as far as possible to gather our information from original sources rather than from reprints or summaries. This is not always possible, but where it is possible we use company audits and company registration statements and reports rather than the financial statements which are published or digested in newspapers, magazines, or financial manuals. In addition to the available statistics about the particular company we also try to keep ourselves informed through U. S. Government reports, Federal Reserve Bank bulletins, trade journals and other sources as to the status of the industry as a whole in which the company operates. It is amazing how much good information is available, if you conscientiously set about to get it, on almost any industry.

Preliminary Investigation

Now let us turn to preliminary investigation.

When the officials of a company come to us and ask our help in raising money for expansion or refunding purposes, we make a preliminary investigation of the company, of the industry involved, of the company's competitive position in the industry, and of the company's management before we decide that we wish to do financing for them. If audited balance sheet and income account figures are not available in published reports, we ask the company for such audited figures. We also attempt to get industry figures, from either government publications or trade associations and try to determine the company's relative competitive position. And — a most important point—we talk with a number of people who know the company and its management to check as to the character and ability of the management and the general

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*An address by Mr. Schoales before the Third Annual "Forum on Finance" of the Joint Committee on Education representing the American Securities Business sponsored by the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of Securities Dealers, American Stock Exchange and the New York Stock Exchange, at the Graduate School of Business Administration of New York University, New York City, Aug. 24, 1953.

The State of Trade and Industry

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

There was no noticeable variation in over-all industrial output for the period ended on Wednesday of last week with that of the preceding week, but production continued to be moderately above the level of a year earlier. Further, it was down mildly from the post-World War II peak reached several weeks ago.

Layoffs were reported in parts of New England and the Midwest, but claims for unemployment insurance benefits remained perceptibly below the level of 1952.

Industrial output in July dipped slightly as vacations slowed production in major manufacturing industries and coal mining. The Federal Reserve Board's index for July dropped to 233% of the 1935-39 average, compared with 240% in June and 193% in July, 1952. Most of the durable goods industries showed seasonal declines in activity during the month but high auto production helped boost the major consumer durables index, the Board stated.

Living costs in the month to July 15 rose to a new high, the government reported. As a result, almost a million automobile workers will receive a pay boost of a cent an hour under escalator contracts. The Bureau of Labor Statistics Consumer Price Index moved up 0.2% to 114.7%. It was the fifth rise in a row and pushed the index 0.5% above a year earlier and 12.7% higher than the pre-Korean War level of June, 1950. Increases in the cost of housing, medical care, transportation, food and miscellaneous goods and services were chiefly responsible for the gain in the month.

Major auto firms announced they were boosting wages of hourly-rated workers a cent an hour because of the B.L.S. index rise.

The Federal Reserve Board also reported that consumer credit in July rose $166,000,000 to hit $27,200,000,000. The total was nearly $4,500,000,000 above the 1952 figure. The July increase came solely because of continued high instalment borrowing, the Board noted. This type of credit, including auto loans, repair and modernization of homes and personal loans, climbed $365,000,000 in the month to $20,900,000,000. Auto loans accounted for most of the boost, soaring $278,000,000.

In its review of the steel industry this week, "The Iron Age," national metalworking weekly stated that 13 dominant industries in steel and metalworking responded to an "Iron Age" survey with a vote of confidence on future business prospects. Many top-level industrialists significantly regarded as inevitable the easing of record production in late 1953 and 1954 as a return to a more normal market in which solid profits could be made and high operations could continue, it added.

Opinions indicated that inflation was not a dangerous factor in the industrial economy. Intensifying competition, high-initiative salesmanship were certain to be effective deterrents to price increases. For the consumer this was heartening news, especially since automotive and appliance industries seem determined to hold the line on prices, continued this trade journal.

Sales outlooks for 9 of the 13 surveyed industries were ranked as good, 2 as fair, and only 2 as dim. In the dim grouping was coal.

By year's end steelmaking operations should be easing down to around 90% of capacity, a number of prominent steel men predicted. A slight but gradual decline should continue into 1954. Bottom estimates for 1954 steelmaking rates were 85% of capacity, this survey revealed.

Producing at record through first half 1953, appliances should dip to a still-high rate for the second half, enter a high-buying first half in 1954 which will see competition growing greatly, this trade magazine further stated.

Declining defense orders inspire varying degrees of pessimism in the machine tool industry which has felt an almost 45% cut in order backlogs from a year ago. The emphasis is now on the civilian market.

Detroit believes its market will stay strong for the rest of 1953, recede to a good level in 1954 to the extent the boom plays out, "The Iron Age" reported.

The auto industry expects to jack up its production a bit next month—to 539,999 cars from 526,000 produced in August, "Ward's Automotive Report" stated.

The agency foresees stronger operations by Chrysler Corp. and the return to operations by Nash. It also notes that substitute automatic transmissions would be put into Pontiacs, Cadillacs and Oldsmobiles during the month. The replacement is the result of the recent fire at G.M.'s Livonia, Mich., plant.

Slower August production "definitely dropped 1953 car output behind the 1950 record pace for the first time this year, with 4,379,000 units estimated for January-August, this year, against 4,394,863 by Aug. 31" in 1950.

"Ward's" estimates some 50,000 cars will be lost by the end of September due to the fire, "with eventual setbacks to exceed perhaps 75,000."

A slight rise occurred in manufacturing firms' inventories in July, but at a much slower rate than in previous months, states the United States Department of Commerce. Total value of finished products and raw materials at the end of the month was $45,600,000,000, about $100,000,000 above June levels. During the months preceding June, inventories had been built up at a monthly rate of about $500,000,000.

Sales of manufacturers in July totaled $24,500,000,000, up 2% from June, the Department stated. New orders, however, showed a decline from the preceding month.

United States commercial exports in the first half of 1953 fell about 14% below the like 1952 period, but military aid shipments boosted total shipments slightly above the year-ago figure. The United States Department of Commerce reported shipments abroad

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Observations . . .

By A. WILFRED MAY

The Investment Trust Picture—In England and Here

Since Britain has served as the cradle of the entire investment trust movement, it is interesting to note the present status of the trusts there, particularly with regard to their role in the provision of risk capital, and in their effect on the stability of the general market. This is particularly timely there now in view of the British Government's lifting of its unreasoning ban on their capital flotations in excess of £50,000. And the comparative features in this country are significant now in the framework of the shaky condition of our stock price level.

A. Wilfred May

Much light on the present trust situation in Britain is available in an analysis, "The Role of the Investment Trusts," in the Aug. 15 issue of the London "Economist." This survey indicates that to the debunking of the public's traditionally inflated image of British trust performance in phases of management results, should be added deflation of exaggerated ideas of its importance to the nation's economy. It shows that the 234 major trusts, that is, those whose shares are quoted daily in the Official List of the London Stock Exchange, hold assets with a market value of only £580 million ($1,624 million); a gain of merely £25 million, or 5%, since before World War II. This is in contrast to the present aggregate of almost $4.7 billion of the American funds assets, representing almost a five-fold gain since pre-War. Even our closed-end companies have grown by 33%.

The British trust assets, which incidentally amount to less than a quarter of those of the insurance companies, represent only about 2 or 3% of the total of listed risk securities. They appear to constitute only about 4% of the approximately £13 billion of non-government bond securities listed on the London Stock Exchange.

In the United States the $3 billion of our funds' assets amount to only 2.6% of the value of all stocks listed on the New York Stock Exchange; and comprise only 2.2% of all non-governmental issues listed on the Big Board.

Small Threat to Market Stability

The investing activity in the British trusts' shares, less than one-fiftieth of the total trading volume, is largely confined to pension fund investors and insurance companies.

Here, in similarly insignificant proportions, the trusts' purchases and sales of securities comprise only about 6% of Exchange total trading volume. During the declining markets of the second quarter of this year the funds' sales of securities held in their portfolios amounted to only $130 million, purchases to $246 million, a total of $376 million—12% of the concurrent dollar volume of sales on American securities exchanges totaling $3.1 billion.

Over-the-counter here the trusts' total volume of transactions is estimated at only $60 million annually, an insignificant proportion of the total business occurring there.

So we see that both abroad and here the trusts' threat to market stability is not very great.

The Expert's Expert

Because of the greater "gearing," that is, leverage in British trust capitalization, both market price and earnings fluctuate much more in England than here. In view of these variations in capital structure and the great obscurity in their accounting re liquidating value and the like, their shares are looked on as suitable for the investor who is expert rather than as a haven of refuge for the lay citizenry. Selection among the individual trusts is far more important there than here (and the British non-professional has no Wiesenberger & Co. analytical "Bible" to help him out).

This contrasting situation is borne out by a study made by U. S. National Association of Investment Companies showing that here two-thirds of the sales of shares in 75 open-end funds take place in the relatively non-expert areas of the country outside of the North Atlantic Seaboard, whereas in the United Kingdom, conversely, most of the public's acquisitions occur on the London Stock Exchange.

* * *

"British Under-Statement"

The following excerpt from the Chairman's statement in the current report of a leading British trust, which he has just forwarded to me, seems interesting in indicating the "relaxed" non-promotional attitude prevailing there:

"When commenting on the outlook in recent years, we have usually been able to say that our earnings would be maintained. These predictions have been generally fulfilled and on occasion exceeded. Such increases were not unexpected; but it would have been imprudent to anticipate them, since to some extent they emerged from the operation of abnormal factors, such as stockpiling, monetary inflation, rearmament or currency variations. Today the outlook is different, and it is difficult to envisage circumstances which might soon produce any large accretion of distributable earnings by any section of the various industries, in which our funds are invested. We think our gross revenues will be maintained close to last year's figure. If it should show some decrease, we shall be disappointed, but not dismayed."

A Look at Selected Group Stock

By NICHOLAS E. CRANE*

Research Dept., Dean Witter & Co., Members of the N. Y. S. E.

Asserting there is need of selectivity in present investing, stock market analyst reviews companies of favored groups, such as aircrafts, air conditioning, tobacco and cement company stocks, along with others. Concludes there is no ground for being "very bearish" in face of certain favorable factors in selected groups.

This talk is not to be a market prognostication. I know of few things more futile for both salesman and client than a discussion of whether this is a bull or bear market. For every bearish argument you have, the "bulls" can give you one just as strong on the other side. The "bull" market of the past four years did not include all groups as looking at the textiles, movies and liquors will testify. A "bear" market, if there is to be one will almost certainly not include all groups and certainly not all issues. Even in the past few weeks of declining markets every day has seen one or more new highs.

Nicholas E. Crane

As salesmen you know that a great deal of time is wasted every day in a discussion of the trend of the market. A great many sales have been lost because salesmen ignore fundamentals and substitute a market opinion — and in many cases were wrong, with the loss of perhaps a client and certainly losing commissions.

As customers' representatives it would seem that we can do our clients and, incidentally, ourselves the greatest good by sticking to fundamentals.

When I was first asked to give this talk, I went through the major industries one by one and, considering the generally pessimistic attitude in the Street, a surprising number of companies appear to be in line for increased earnings and dividends over the next year. The need for selectivity is ever present; however, the following industries and companies appear likely to maintain a high or increasing rate of earnings and dividends:

Aircrafts

One of the most favored groups would appear to be the aircraft manufacturing companies. This group appears to be fairly well sold out, offering what would appear to be extremely generous yields and to be assured of a high volume of business for many, many years ahead. Unless there is a complete collapse of the Soviet militarists, it would not appear that we can afford to let our military guard down, particularly in this vital item. With the coming of the Korean peace, it was thought in some quarters that there would be quite a general cutback in aircraft backlogs. This has not been the case and does not seem likely to be so while the above situation exists. Most aircraft companies have very substantial earnings or very excellent prospects for increased dividends. Indicating improved financial positions and their confidence in the future of their business, **United Aircraft** and **North American Aviation** recently increased dividend payments and others are likely to follow their example. When I look at companies such as **Douglas** with a $2 billion backlog, **Lockheed** $2 billion, **United Aircraft** $1.5 billion, **Boeing** $1.6 billion, **North American Aviation** with over a billion dollars, it is hard to see how these companies can fail to show increasing earnings and dividends over at least the next 5 years.

Boeing, for instance, probably will earn $10-11 in 1953 and, without EPT but with the same profit margins could earn upwards of $20 in 1954. While they may not be allowed to keep all this, as repricing or renegotiation may cut down their profits to some extent, there would appear to be an excellent chance that the company will show upwards of $15 in the year ahead. Paying $3.00, selling at $40 to yield 7.5%, Boeing would appear to be a likely candidate for another stock dividend next spring with the prospect of an increased dividend payout.

North American Aviation raised its mid-year dividend from 50c to 75c, and the prospects would seem quite favorable for an increase in the December dividend from 75c to possibly $1.00. Selling under $17 a share and with the virtual certainty of $1.50 this year and probably $1.75, North American Aviation would appear to be most reasonably priced.

United Aircraft, a leader in every phase of aviation from piston engine to atomic power plants, would appear to offer real investment value and a very generous 7.7% yield.

Grumman, selling at $20 and paying $2.00 a year to yield 10%, is a blue chip in the industry, having paid a dividend in every one of the last 20 years, never paying less in any year than it paid the previous year, and raising the dividend no less than seven times in the two decades. With a backlog believed upwards of $700 million, this major supplier of planes for the Navy would appear to be assured of constantly higher earnings in the years ahead. The $2.00 dividend would appear to be most secure on the basis of the historical pattern and the prospect of higher earnings.

Air Conditioning

The air conditioning companies would appear to have a solid basis for increased business year by year. All around you you have seen the increase in air conditioning units; however, you will obviously have to be quite selective in this particular group. **Carrier** is the General Motors of the industry and would appear to have outstanding prospects over the longer term, although such companies as **York**, **Philco**, **Buffalo Forge** and **Tecumseh** have important representation in this field.

A low priced over-the-counter issue with considerable speculative attraction is **Copeland Refrigerator.** Copeland, currently selling about $11¼, should show about $1.10 a share for the September year-end, and earnings are expected to be sharply higher in the year ahead.

Tobacco

Although the tobacco shares in general have moved ahead rather substantially from the lows of last year, they still appear to represent sound investment values as they seem likely to continue to show improving earnings, and prospects for dividend increases are favorable. All the major companies will be important beneficiaries of the change of the EPT and have been material beneficiaries of the 1c a pack increase which took place this spring.

American Tobacco has shown marked earnings improvement in the June quarter. Industry experts believe that the possibility of $8.00 earnings for American Tobacco in 1954 is not at all remote, and an increase in the current $4.00 rate would appear to be a distinct possibility. The other cigarette companies are also favorably situated.

Incidentally, in looking at the cigarette companies, you might take a look at **American Machine & Foundry**, the largest manufacturer of cigarette making machinery in the country, most of which is leased. This stock, currently about $21 a share and paying $1.00 to yield about 4.5%, also paid 5% in stock in 1952 and has paid 2½% in stock so far this year. Since this dividend is worth approximately another $1.00 in the market, the dividend rate would appear to be appreciably higher than the cash rate would indicate. The company has also developed the "automatic pin spotter" which appears to have an enormous potential over the years. Used in bowling alleys, these devices automatically set up the knocked down pins and eliminate the need for "pin" boys.

Baking Shares

Although **General Baking** earnings for the six months were disappointing, **Continental Baking** appears to be quite favorably situated. Earnings were up over 100% in the first half of the year, and an increased or extra dividend would appear a reasonable expectation. Yielding almost 7% on the present $1.60 dividend, the stock would not appear overpriced.

Cement

The cement stocks appear to be favorably situated. You have all driven on sub-standard roads around the country and know the crying need for increased and improved roads. A "Business Week" survey pointed out that in the decade of the 1940's we built about 30% less miles of road than we did in the 1930's. At the same time we added about 10 million vehicles to the roads. The survey pointed out that it would take at least $40 billion to bring the roads in this country up to minimum standards without providing the additional turnpikes such as have

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*A paper by Mr. Crane presented as part of a Symposium on the Markets before the Association of Customers' Brokers, N. Y. City, Aug. 27, 1953.

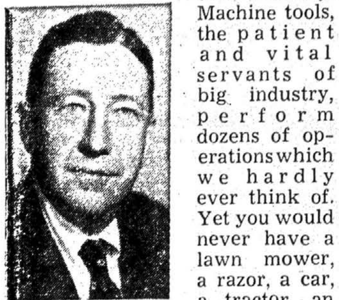
Tools for Investment

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Containing some random notes on the machine tool industry, and a brief appraisal of two tool equities.

Whenever anybody talks about "cyclical" industries, one of the first ones marshalled into view always seems to be the machine tool industry. Machine tools, the patient and vital servants of big industry, perform dozens of operations which we hardly ever think of. Yet you would never have a lawn mower, a razor, a car, a tractor, an airplane, a locomotive, a ship, or a toaster without some of these power-driven metal working gadgets that mold, shape, cut, form, groove or finish metals in hundreds of fine gauged and intricate industrial processes. And when they're not employed turning out finished products, they're even busier turning out more of their own ilk—production equipment for manufacturing other products.



Ira U. Cobleigh

Traditional Pattern Reversed

The reason the industry is referred to as "cyclical" is that many more machine tools seem to be ordered when times are good; during depressions they seem to have evidenced long and sturdy life. Perhaps the current level of technology, however, is now changing this traditional pattern. For instance, with ever higher labor costs, new and improved machine tools are constantly being researched. They can lower maintenance, increase output or make it better or faster, or with less waste; or they can turn out, efficiently, an entirely new item. Then too there is the demand of new industries — jet planes for example—where new power tool gadgets are needed and a new, and hitherto non-existent market is created.

Importantly, also, there are the demands of war, and of defense, which carried the industry to all-time highs in 1942, leveled off in the war, and postwar phase, only to surge again from the Korean outbreak to total sales of over $1.1 billion in 1952. The defense machine tool demand is still very much with us, and that, coupled with normal industrial requirements, suggests total sales this year above the billion dollar level, which means humming lathes, and sturdy profits for many outfits in this field.

Finally, of course, there's always the replacement demand which this year should amount to over $150 million; and export sales which will probably not for years equal the best postwar year (about 28% of total) but which will still run into nine figures.

Market "Whipping Boys"

On the financial side, the shares of machine tool companies have been real whipping boys. The market definitely has refused to get the least bit romantic about equities in this category, appraising many of them at a mousy two or three times price/earnings ratio; and often discounting eminently solvent balance sheets, as though they had been blown up for merger purposes. And, actually, some machine tool companies have sold at a discount from per share net current assets; in which cases the purchaser received his equitable share in the plant, brick and mortar of the property without paying a cent for it. You'd almost have thought these plant accounts were a liability, and that the earning power of machine tool companies was going to drop dead tomorrow noon. In few investment fields in the past decade has so much in asset value, and earning power, been so lightly regarded by that great reflector of mass opinion—the market—as in the area of today's commentary, the machine tool companies.

While the rewards of those who quarrel with the dicta of the market have often been either meager or negative, some points of logic might perhaps be introduced to suggest that trading appraisals here have, in some instances, seemed particularly harsh.

Cincinnati Milling

For instance, Cincinnati Milling Machine Company, probably the largest manufacturer of machine tools in the United States, has shown considerable resistance to the "cyclical" theory of this industry, alluded to above. This resistance is best illustrated by the fact that CMZ common has paid cash dividends without a miss, since 1894 with the single exception of 1922; and in that year shareholders were solaced for this omission by a 6 for 1 split of the common, and delivery to them of a new share of 6% preferred for each share of old common held. That's a pretty decent sort of dividend record for a "feast or famine" company.

It is true that there have been wide swings in net sales ranging from a wartime high of $103 million, down to $31 million in 1947 (when government sales of war surplus machine tools glutted the entire market); and back up to a magnificent, all-time high of $128.6 million for 1952.

Of course, government demands are extensive and account for a considerable portion of $110 million backlog reported on July 1, 1953; but the main line of company products — milling and grinding machines, cutting fluids, and surface hardening machines are widely sold to private industry, especially automotive plants. Domestic production is provided by the home plant in Cincinnati and another in Wilmington, Ohio; and its British subsidiary located in Birmingham, is reported as the Empire's largest machine tool maker.

$3 Dividend Well Protected

About balance sheet position, at the 1952 year-end net working capital stood at $33.8 million, roughly equal to $40 a share on each of the 850,000 shares of common now outstanding. So you're not paying very much for plant and equipment with CMZ now quoted on NYSE at 43.

Earnings for 1952 were up sensationally from $4.75, the year earlier, to $11.14 a share; and they should wind up in that vicinity this year. This, mind you, after a healthy EPT bite. Quite obviously $11 and more a share gives plenty of cushion for the current $3 a year indicated dividend rate; and a company so magnificently solvent as this one shouldn't exactly invoke a bear raid what with the common selling less than four times earnings.

Bullard Company

Another one we might look at today with some assurance, is The Bullard Company of Bridgeport, Conn., which for almost three-quarters of a century has been applying Yankee ingenuity and sound business judgment to research, development and production of a distinguished line of precision machine tools. Among its featured products today in wide demand in the aircraft, motor and electrical industries are its Mult-Au-Matic lathe installations, bunching from 4 to 12 single lathes in a circular unit, as a mass production technique. Other products include vertical lathes for manual or automatic control, borers, reamers, spacers, and a vertical chucking grinder. Bullard also has a special process of especial importance in the production of jet propulsion units.

As we noted in the case of Cincinnati Milling, the big war year was 1942, when Bullard grossed $47.6 million. Postwar sales dipped to a 1948 low of $8,855,000 and then, beginning with $12.5 million in 1950 expanded to $32.7 million in 1951, and a whopping $57 million last year.

Simple Capitalization

Capitalization couldn't be simpler—just 552,000 shares of common, listed NYSE. No bank loans, no preferred, no subordinated debentures. For 1952, net per share was $4.44, this after payment of EPT at the astounding rate of $5.20 a share. Bullard stands high on any list of beneficiaries, at the demise of EPT! The June 30th balance sheet showed net working capital at above $14 per share.

About the outlook for 1953, there was a backlog on Aug. 6 (1953) of $52 million, and net earnings are running substantially ahead of last year. Accordingly, the indicated cash dividend of $2.25 appears strongly assured, and something additional either in cash or stock by the year end seems within the realm of the possible. In any event the Bullard common at 23½ shows an indicated current yield of over 9½%. There was a 2-for-1 stock split in 1952.

Others in Industry

Certainly in regard to the two companies we've briefly reviewed, there is little logic for any counsel of gloom; and a glimpse at the present position of some of the other toolmakers such as Ex-Cell-O; Monarch Machine Tool; Sunstrand; Van Norman, and Warner & Swasey, reveals no convincing evidence that better grade machine tool share holdings should now be liquidated.

In fact it can very well be that cyclical trends in this trade are slowly flattening out; that advances in technology, continuous need for more labor saving machines, the spread-out of military demands, and the researching of new products may provide higher sustained levels of gross earnings in the future. And proven capacity to earn money in slow times, plus substantial hoped for gains in net when EPT expires, suggest that tools for investment may have been unduly slighted.

Rauscher, Pierce Forms New Dept. Under Edw. T. Volz

DALLAS, Texas — Rauscher, Pierce & Co., Mercantile Bank Building, has announced the formation of an institutional and out-of-state dealers department under the direction of Edward T. Volz, combining the services of the firm's central research staff and the state-wide facilities of their offices to offer a comprehensive municipal investment service in Texas and the Southwest. Mr. Volz maintains his headquarters in the firm's San Antonio office, in the Milam Building.

With M. P. Giessing

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Mo. — Leonard J. Vargo is now with M. P. Giessing & Co., 108 North Jefferson Street.

New Industries

By ROGER W. BABSON*

Mr. Babson, in commenting on technological research and its importance in building new industries, lists, in addition to atomic energy, 10 fields for inventions, new discoveries and new processes. Says studies along these lines should be made by producer associations, rather than using their efforts to fight labor along present lines.

In the final analysis, the workers want an increase in their standard of living with security and reasonable work conditions. For these things wage disputes and wasteful strikes are primarily waged. May it be that these ends can best be reached not by new legislation or profit sharing plans or some other subjects, but by research in the fields of physics, chemistry and metallurgy, including inventions, discoveries and new processes? In addition to what Atomic Energy may do for mankind, if properly used, I have in mind the following ten thoughts:

Roger W. Babson

(1) New metals and alloys which are lighter, stronger and cheaper than any now known.

(2) Indestructible plastics in all colors which can be used for better clothing and homes—thus eliminating wear and maintenance.

(3) New uses for electronics, not only in production and distribution but for the protection of humans and crops against ever increasing pests and insects.

(4) Photosynthesis studies whereby the air, light, water and minerals now used by the plants can be combined directly into food, thus eliminating agricultural drudgery. In this connection we must not forget artifical insemination.

(5) Capturing for useful purposes the supersonic and other unused waves which are now entering our homes like radio waves—but not being used.

(6) The use of solar radiation for free heat in winter, free air conditioning in summer, hot water and other household benefits throughout the year.

(7) The discovery of new miracle drugs which will eliminate all infectious diseases and assure good health and long life to all who will live properly.

(8) A revolution of our educational system which will make citizens truly intelligent, useful and happy—perhaps greatly reducing later mental diseases.

(9) Discovering how the fire fly manufactures cold light and using the secret for many purposes from flash lights to general illumination.

(10) Securing from the sea its unlimited and constantly increasing supply of food, minerals and power.

In addition to the above, are the possibilities of finding a partial insulator against gravity. This could greatly reduce weight which is the greatest factor in the cost of living. Yes, and I might add one more hope that some way will be developed to regulate population growth in a way which is both righteous and practical.

These are the studies which Associations of Manufacturers should be making and generally encouraging instead of fighting labor along present lines. If one half of what is now lost by employers through strikes were used for cooperative research along the above and other lines, their workers would constantly be given higher wages, more security and better working conditions. From such research all parties—stockholders, employees and consumers—would benefit as no price increases would be necessary.

Some will complain that such new discoveries and inventions would reduce the demands for labor. It is true that in some instances labor demands would be less; but we all would have more leisure time along with a higher standard of living. Furthermore, some of the goals would develop entirely new industries which would offer far more and greater opportunities than the sicknesses, maintenance losses and "horse and buggy" customs of today.

*Summary of an address by Mr. Babson at the Summer Conference of Babson Reports, New Boston, N. H., Aug. 28, 1953.

Irwin R. Frumberg to Give Lecture Course

SEC attorney for its New York Regional Office will conduct a course at the New York Institute of Finance for benefit of people actively engaged in buying and selling securities.

Irwin R. Frumberg, who has been Chief Interpretive Attorney for the New York Regional Office of the Securities and Exchange Commission since 1949, will conduct this fall a course of lectures at the New York Institute of Finance, an institution fostered by the New York Stock Exchange. The course will be directed mainly for the guidance of professional securities dealers and other people actively engaged in buying and selling securities.

Irwin R. Frumberg

Mr. Frumberg was born in New York City on April 8, 1915. He was graduated with the degree of Bachelor of Science at Harvard University in 1936 and completed the course for a law degree at Harvard Law School in 1941. The next year he was appointed as an attorney in the General Counsel's office of the Securities and Exchange Commission in Philadelphia and was later transferred to the New York Regional Office as interpretive attorney. He was made Chief Interpretative Attorney of the New York Regional Office of the SEC on July 5, 1949.

Mr. Frumberg's lectures at the New York Institute of Finance will deal mainly with the rules and regulations relating to security trading and the procedures of the SEC in interpreting and distributing information regarding its rules and decisions. As has already been stated above, the chief aim is to assist those engaged primarily in the securities business as well as corporation officers and others concerned with the issuing and marketing of securities.

With F. K. Justus, Jr.

(Special to THE FINANCIAL CHRONICLE)

SMITHVILLE, Mo. — J. B. Moore has joined the staff of F. K. Justus, Jr.

The Outlook for Railroad Stocks

By EDWARD S. WILSON*

Manager, Research Dept., Hallgarten & Co., Members of the New York Stock Exchange

Commenting upon the price decline in railroad stocks in the face of record net earnings, Mr. Wilson lays this paradoxical situation to investors' fear of future drop in traffic and earnings. Says recession scare is becoming rooted in investors' psychology, but points out factors which can ease decline in railroad stock values. Forecasts net income of Class I carriers will not fall more than 15% below present peak levels, but warns heavy industry railroads may suffer greater losses. Lists rail equities that have favorable investment factors.

Judging by the market action of railroad equities, the average railroad investor, like a certain ex-President, is from Missouri. To use another simile, he is like the proverbial man in the parlor waiting with bated breath for the other shoe to drop on the floor above. The other shoe, of course, is the possibility of a sharp decline in railroad earnings in 1954. This hypothetical average railroad investor has not forgotten that the Dow-Jones railroad average dropped 37% from the highs of 1948 to the lows of the "recession" year of 1949 on a year-to-year decline of 36% in the net income of Class I railroads. Searching the deeper recesses of his memory, he also recalls that the railroad averages slumped 68% from the 1936 highs to the 1938 lows and that a net income in 1936 of $165 million for Class I roads was transformed into a deficit of $124 million in 1938. If our average investor is over 50, he will also remember with a shudder the sickening drop of 93% in the railroad averages between the 1929 highs and the 1932 lows and the fact that Class I net income of $897 million in 1929 compared with a net loss of $139 million in 1932. At this point, it should be noted that the percentage decline in the railroad averages in the bear market years, 1932, 1938 and 1949, became progressively less severe.

Why the underlying fear on the part of the railroad investor at the present time? Earnings are currently running at an all-time record high and, as indicated by the following table, net income for the second half should run close to last year's excellent showing:

Net Income of Class I Railroads
(Millions)

	Est. *1953	Year, 1952	Year-to-Year Change
1st Half	$418	$310	+34.8%
2nd Half	507	514	— 1.4
12 Mos.	$925	$824	+12.3%

*Estimates by Standard & Poor's Corporation.

The 1953 estimated net income would set an all-time record high, surpassing the wartime peak of $902 million in 1952 and the $897 million reported in the fabulous boom year of 1929. The projected year-to-year decline of only 1% in second half net income is also heartening as, following the end of the steel strike in July, 1952, the nation's economy, and particularly heavy industry, operated at forced draft during the balance of the year in order to make up the production losses caused by the two months' strike. In fact, the Federal Reserve Board Index of Industrial Production reached a new high for the postwar period in the fourth quarter of last year.

As we have previously seen, first half net income of Class I railroads ran 35% above 1952 levels and July earnings reports of individual roads just coming to hand are uniformly showing substantial increases over the comparable 1952 month, when traffic and earnings were abnormally depressed by the steel strike. Moreover, carloadings in the first three weeks of August ran only slightly below the excellent 1952 post-strike level.

Rails at New Low for Year

With this bright earnings background, we find railroad stocks, as represented by the Dow-Jones average of 20 leading issues, making a new low for the year at 99.47, 11.4% below the 1953 high of 112.21 reached in late January. The railroad average is currently selling at only 4.8 times earnings of $20.84 for the 12 months ended June 30, 1953. This conservative ratio compares with a price x earnings multiple (based on the mean price) of 5.4 times in 1949, the year of the inventory recession. In the bull market year of 1936, the average price x earnings ratio was nearly 14 times.

In this low valuation of current earnings, the railroad investor is obviously looking beyond this year's prospects to an appreciable drop in traffic and earnings in 1954. Various clouds are appearing on the economic horizon. Steel supply appears to be coming into balance with demand and predictions are being made in authoritative trade circles of an 85% rate of operations for the industry by the fourth quarter. Automobile production, after breaking all records in the first half, is now being cut-back as both new and used cars pile up with dealers. The level of residential building, after confounding economists for over a year, finally is showing signs of topping off. Farm income is running well below last year with a resultant depressing effect on sales of goods, notably agricultural implements, to the farmers. Consumers' durable goods are becoming hard to move and consumer credit has reached what many consider to be a dangerously high level. Corporate expenditures for new plant and equipment, which have been artificially inflated by the tax advantages of five-year amortization, probably have reached their peak this year.

With civilian goods in ample supply and military production apparently past its peak, there is increasing public discussion of what measures the government can take to combat any sharp downturn in business activity. It is true that a recession, if it comes next year, will probably be the best advertised in history. Nevertheless, the fear of such a recession is becoming rooted in investors' psychology and we all know by sad experience that you can't argue with the tape. The burden of proof is plainly upon the railroads to demonstrate that a satisfactory level of earnings can be maintained if industrial activity should drop 10%-15% below present boom levels.

Some Basic Constructive Developments

What will be the position of the railroads in the event of such a decline? In comparison with 1949, the last year of sharply declining traffic, there have been several basically constructive developments which are apparently ignored by many railroad investors:

(1) Dieselization, which has been the greatest source of operating economies since the war, has progressed tremendously in the past four years. Several important roads are 100% dieselized and many others are rapidly approaching that point. These savings have been particularly helpful to the large Eastern trunk lines, such as the Erie, New York Central and Pennsylvania, which suffered particularly from the slump in heavy industry in 1949.

(2) The modernization of yards with automatic retarder systems and the mechanization of roadway maintenance are demonstrating increasing economies to railroad managements. The Southern Railway is an excellent example of the savings realizable from such a program.

(3) Railroad accounting departments are achieving an ever-improving control over costs through the systematic monthly budgeting of revenues and expenses, i.e., the Baltimore & Ohio. In case of sudden drops in revenues such as caused by coal or steel strikes, the carriers are now able to reduce their costs much more quickly.

(4) The influx of vigorous, progressive and relatively young men into the top managements of many railroads, although an intangible factor, is resulting in many continuing improvements in traffic solicitation, operations, personnel and finances.

(5) Tax savings from five-year amortization of defense facilities should be of major benefit to earnings for several years to come. These savings amounted to approximately $80 million (10% of net income) in 1952 and are estimated at about $110 million (12%) this year.

(6) The more favorable attitude in Washington towards private enterprise gives promise of more equitable regulation of the railroads, especially as regards rate relief. There is some basis for hope that the "time lag" bill (providing for faster action by the Interstate Commerce Commission on rate increase applications) will be enacted at the next session of Congress. It will be recalled that the delay in obtaining rate relief in the wake of rising wage and material costs penalized railroad earnings severely in the inflationary period following the outbreak of the Korean war.

(7) A period of stable commodity prices benefits regulated industries such as the railroads, provided that it is not accompanied by a material falling off in gross revenues. There are growing indications that the inflationary excesses of the postwar period are being liquidated and over a period of time costs should stabilize at moderately lower levels. In the late 1920s, railroad earnings reached a level not attained previously at a time when commodity prices were showing a slow decline.

(8) A relatively low ratio of dividends to earnings (41% in 1952 and an estimated 38% in 1953). In 1949, this ratio was 57%. With many railroads reaching the end of their postwar improvement programs, there have been several significant dividend increases this year and more are in prospect.

Not More Than 15% Reduced Earnings Expected

In the light of these factors, what is the outlook for railroad earnings in 1954? My guess is that net income of Class I carriers will not fall more than 10%-15% below this year's record levels. Of course, this "guesstimate" is based on the national average and roads whose traffic is heavily dependent upon the cyclical durable goods (coal, iron and steel, building materials, etc.) will probably suffer more severely than carriers with better diversified traffic composition. The capital goods industries, except for the brief readjustment of 1949, have not had a real shake-out since World War II, and, in view of the factors previously enumerated, would seem overdue for one. It would, therefore, appear the course of prudence to accept a cautious investment policy towards the securities of heavy industry railroads until the 1954 outlook is better clarified.

Included in this category are the Eastern trunk lines (Baltimore & Ohio, Erie, New York Central and Pennsylvania), the Eastern anthracite roads (Jersey Central, Delaware & Hudson, D L & W, Lehigh Valley and Reading), the Pocahontas roads, and such specialty carriers as the Great Northern (iron ore). Because of the relatively high percentage of heavy industry products in their traffic mix, the L & N and the Southern Railway would appear more vulnerable to a drop in industrial activity than other Southern carriers. Most of these roads recently have made real headway in reducing the all-important transportation ratio, but face the acid test of lower traffic volume before this improved performance will be accepted by investors at full value. The Eastern carriers are especially vulnerable because of high terminal expenses and heavy losses on passenger traffic, particularly commutation.

Guide to Selection of Rails

In selecting railroad stocks for 1954 investment, I would select the equities of roads which possess one or more of the following characteristics:

(1) Very little or no branch mileage and a small volume of passenger traffic **(Kansas City Southern).**

(2) An above-average growth territory **(Southern Pacific).**

(3) Long average haul and consequent low terminal expense **(Atchison).**

(4) Above-average financial strength and substantial non-railroad income **(Union Pacific).**

(5) An abnormally heavy but temporary maintenance program, which gives a "cushion" in the event of a traffic slump **(Atlantic Coast Line).**

(6) A relatively low and steadily declining transportation ratio **(Seaboard Air Line).**

Several of the six roads mentioned as examples fit into more than one of the favorable categories, but are limited to one for purposes of simplicity. Let us see how my six common stock selections shape up in relation to estimated 1953 and 1954 earnings, the latter assuming a year-to-year decline of 10% in each case.

Particularly, considering the general good quality of the above issues, price x earnings ratios are conservative in relation to both estimated 1953 and prospective lower 1954 earnings.

	Market Price— 8/26/53	Estimated 1953 Earnings *Per Share	Price x Earnings Ratio	Estimated 1954 Earnings Per Share	Price x Earnings Ratio
Atchison T. & S. F.----	91⅜	$14.00	6.5x	$12.60	7.3x
Atlantic Coast Line----	92½	16.50	5.6	14.85	6.2
†Kansas City Southern	42	11.00	3.8	9.90	4.2
Seaboard Air Line----	40¾	9.25	4.4	8.33	4.9
Southern Pacific-----	41¼	7.85	5.3	7.07	5.8
Union Pacific --------	104⅝	16.00	6.5	14.40	7.3

*Estimates by Standard & Poor's Corporation. †System, incl. Louisiana & Arkansas.

*A paper by Mr. Wilson presented as part of a Symposium on the Markets before the Association of Customers' Brokers, New York City, Aug. 27, 1953.

Dealer-Broker Investment Recommendations & Literature

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

Burlap and the Futures Market in New York—Descriptive booklet—Commodity Exchange, Inc., 81 Broad Street, New York 4, N. Y.

Canadian Western Oil and Mining Stocks—Data—Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada.

Common Stocks—Review of 125 situations tabulated by industry classification—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

German Dollar Bonds—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Flexible Profit Sharing vs. Fixed Pensions—Booklet—Kidder, Peabody & Co., Dept. CF, 10 East 45th Street, New York 17, N. Y. Also available is a booklet entitled **Balanced Retirement Program.**

Insurance Stocks—Analysis—Geyer & Co., Inc., 63 Wall St., New York 5, N. Y. Also available is a tabulation of Insurance Stocks operating results for the six months ended June 30, 1953.

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

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

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Retail Trade—Brief analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are discussions of **Westinghouse Electric Corp.** and **Douglas Aircraft Co.** and a list of switch suggestions.

Supermarkets—Analysis with particular reference to **Safeway Stores, First National Stores, National Tea, and Winn & Lovett**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

* * *

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

American Investment Company of Illinois—Semi-annual report—American Investment Company of Illinois, Executive Offices, 1112 Ambassador Building, St. Louis 1, Mo.

American Natural Gas Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

British American Oil Company Ltd. — Memorandum — J. H. Crang & Co., 40 Adelaide Street, West, Toronto, Ont., Canada.

Central Maine Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Beaunit Mills.**

Eastern Industries, Inc.—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Golden Cycle Corp. — Memorandum — Boettcher & Co., 828 Seventeenth Street, Denver 2, Colo.

Gruen Watch Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Houston Lighting & Power—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Kendall Company—Bulletin—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

MacMillan & Bloedel Limited—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 4, N. Y.

Mitsubishi Metal Mining—Analysis in "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan. Also available are brief analyses of **Japan Mail Steamship, Mitsukoshi, and Japan Cement,** and a tabulation of **Investments by Foreigners in Japanese Stocks.**

New York Central Railroad Company—Bulletin (No. 142)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Polaroid Corporation—Analysis—Vietor, Common, Dann & Co., 482 Ellicott Square Bldg., Buffalo 3, N. Y.

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

Safeway Stores—1953 semi-annual report—Librarian, Safeway Stores, Incorporated, P. O. Box 660, Oakland 4, Calif.

Salem-Brosius, Inc.—Analysis—Graham, Ross & Company, Inc., 82 Beaver Street, New York 5, N. Y.

United Air Lines, Inc.—A reappraisal—Selig Altschul, 25 Broad Street, New York 4, N. Y.

Westbourne Oil — Memorandum — L. G. Beaubien & Co., 221 Note Dame Street, West, Montreal, Que., Canada.

Zellers—Memorandum—L. S. Jackson & Co., 132 St. James St., West, Montreal, Que., Canada.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

Edward H. Welch, Sincere & Co., Chicago, Chairman of the NSTA Convention Committee has written members regarding the wonderful facilities at Sun Valley.

There is much to be done at Sun Valley and everybody should come prepared to take advantage of all the facilities available. The usual Reception and Cocktail parties have been planned as well as Golf and Bowling Tournaments.

Friday, September 19th has been set aside as a day for Athletics and Outdoor Sports. It is not necessary though to confine your Outdoor Activities to Friday they are all available during the four days at Sun Valley.

There are two glass enclosed Swimming Pools, Outdoor Ice Skating, Croquet, Horseshoes and Tennis for both Ladies and Gentlemen as well as a Sporty 9 hole Golf Course with 18 tees. Six Bowling Alleys will be open every evening in addition to the Tournament time for both Ladies and Gentlemen. Ice Skates can be rented. A limited number of Bowling shoes are available but it is suggested players bring their own.

For the more experienced sportsman there is Skeet, Trap, Rifle and Pistol shooting and guns are available for rental. Trout fishing in adjacent streams and tackle and other equipment may be rented.

On Friday afternoon there will be an Amateur Ice Skating Show which is sponsored by the Investment Dealer's Digest. It is open to both Ladies and Gentlemen and prizes will be awarded. There will also be a ride on the Ski Lift on Friday weather permitting.

Idaho State Laws provide that Liquor may only be sold by the drink from 10:00 A.M. to 1:00A.M. daily except Sunday. Bottled Liquor may only be purchased at State Liquor Stores. There is a State Store at Ketchum about one mile from Sun Valley which carries a good stock of Bourbon and Scotch at slightly higher than average prices. A liquor permit costs fifty cents.

AD LIBBING

It is always a great privilege and pleasure to mention the name of Lou Walker, National Quotation Bureau, a fellow member of the Security Traders Association of New York. He has again taken a half page on the inside front cover of our Convention issue. Lou not only supports our organization financially—he is always out front championing our cause and spends much of his time defending our business. We recognize you, Lou, as one of our most sincere partners in the financial industry.

Our closing to date is $18,000. Reports reach me that some of our supporters of past years have not yet sent in their advertisements for 1953. You are supporting your local affiliates through the NSTA with your advertisements in the Convention Year-Book.

Continued on page 10

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. 20-23, 1953 (Washington, D. C.)
American Bankers Association 79th Annual Meeting at the Statler Hotel and Constitution Hall.

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

Sept. 25, 1953 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club.

Sept. 30, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual meeting and election of officers in the Crystal Room of the John Bartram 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.

Giles Montanye Joins Eisele & King Firm

Giles Montanye has become associated with Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange. He has recently been with Frazee, Olifiers & Hillman in the trading department.

Joins Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Clark N. Crain has become associated with Hamilton Management Corporation, 445 Grant Street.

Three With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Walter M. Jones, James C. King, and Robert D. Waters have become associated with Investment Service Corporation, 444 Sherman Street.

With Frank Edenfield

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Nelson L. Samson has joined the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

Growth Stocks

By PAUL KENT*

Investment Advisor, Babson's Reports, Wellesley Hills, Mass.

Mr. Kent lists enterprises under development and rapid growth, along with those that are experiencing normal growth, stability and decline.

Most authorities agree that we are now at a crucial point in business and the stock market. Many think that we have been gradually pricing ourselves out of our markets during the later phases of the ten-year inflationary binge, and that a further substantial decline in the general price level is inevitable. Particularly since buyers' markets have developed in many industries; and more are expected.

Paul Kent

Investors have been fully warned about this period of adjustment and are interested in the outlook beyond. As we take a longer look ahead the logical conclusion seems to be that this country is just getting started. Our accomplishments of the past will seem only small beginnings compared with what lies ahead. After the necessary adjustment throughout the economy, and barring World War III, we are likely to enter the greatest growth period we have ever seen.

This growth will be made possible by research, mechanization, and automation. Last year $3½ billion was spent on research in this country and the prospects are for larger outlays for this purpose. New technologies of all kinds will result in new products and processes, increased production and lower costs.

We will have a special need for the lower costs. In spite of our growing population, now climbing at the rate of 2½ million a year, we will have to seek world markets for our increased production.

Out "automatic factories" will enable us to sell at much lower prices; and in the heritage of the clipper captains, we will have to sell our goods and take back the raw materials and products of other nations and find a market for them. As we are fast becoming a "have not" nation in many raw materials this program will be an advantage to us in many respects.

The "automation" will not reduce employment. On the contrary it will create more jobs through increased production and new products. Lower costs mean wider markets and shorter hours, easier work, and better pay for more people. An illustration is the huge increase in employment in the automobile industry through mechanization and wider markets.

I suggest further that all of this will be against the background of perhaps a hundred years of the "Pax Americana," similar to the Pax Romanum, and the Pax Britannica. We have been forced into the roles of keeper of the world peace and virtual arbiter of international business.

Investors are naturally interested in which industries and individual companies will benefit from these strong growth prospects and the present stage of growth of others. For this reason we have maintained for many years the Babson Growth Curve of Industries. On this chart we endeavor to place the present position of the various industries in their life cycle. They move through the first three periods of DEVELOPMENT & RAPID GROWTH; NORMAL GROWTH; STABILITY; and then either into periods of RENEWED GROWTH; or DECLINE. At present we place the principal industries in the following stages of progress:

Development & Rapid Growth

Atomic Enterprises
Fluorcarbons
Titanium
Isotopes
Electronics
Powdered Metals
Prefabricated Housing
Rare Metals & Earths
Gas Turbines
Automatic Controls
Synthetic Fibers & Plastics
Air Conditioning
Ethical Drugs
Chemicals
Television
Aviation
Aluminum
Alloys

Normal Growth

Detergents
Office Equipment
Natural Gas
Electrical Equipment
Metal Fabricating
Machinery
Rayon
Electric Utilities
Petroleum
Pipelines
Steel
Automobiles
Agricultural Equipment
Telephone Insurance

Stability

Cosmetics
Radio
Food
Paper
Non-Ferrous Metals
Iron
Textiles
Retail Trade
Banking
Building
Motion Pictures

Renewed Growth

Printing & Publishing
Chemical Reduction
Lighting
Bituminous Coal
Vending Machines
Farming-Chemurgy
Materials Handling
Glass Containers & Packaging
Food Preservation
Rubber Products
Photography
Home Appliances

Decline

Smelting
Rail Equipment
Wool
Soap
Lumber
Telegraph
Railroads
Anthracite
Leather
Manufactured Gas
Traction
Ice Distribution

Our interest today is in the groups in the periods of DEVELOPMENT & RAPID GROWTH and RENEWED GROWTH. At the present 22-year upper market levels we advocate buying the growth stocks of well-entrenched companies that have weathered previous periods of business decline, particularly those that have done well in old lines and are adding new ones in rapidly expanding activities.

Many well-known good quality stocks with obvious growth prospects have been bid up beyond attractive buying price levels. For this reason we recommend strong buying reserves to provide for purchase of such issues when they can be bought at more reasonable prices.

However, for funds allocated to common stock purchases at this time there are other issues with exceptional growth potentialities which, for one reason or another, are available at already well deflated levels. We have in mind such issues as the following:

Bendix Aviation: For participation in growth prospects for Atomic Enterprises: Electronics: Aviation: Television. Current price around 56; yield 5.4%. Down from 1946-53 high of 68. Continuous dividends since 1939.

Chain Belt: For Materials Handling. Around 32; yield 6.2%. Down from 42. Dividends without interruption since 1902.

Daystrom, Inc.: For Printing Processes: Photography: Plastics: Electronics. Price around 14; yield 7.1%. Down from 26. Dividends since 1943.

Food Machinery & Chemical: For Materials Handling: Chemicals: Food Preservation; Packaging. Around 37; yield 5.4%. Down from 56. Dividends since 1935.

Lion Oil: For Chemicals: Chemurgy. Price around 35; yield 5.7% Down from 46. Dividends since 1936.

Owens Illinois Glass: For Glass: Television. Around 75; yield 5.3%. Dividends since 1907. Down from 89.

Pullman, Inc.: For Atomic Enterprises: Fluorocarbons. Around 40; yield 7.5%. Dividends since 1867. Down from 69.

Underwood Corp.: For Electronic Equipment. Price around 42; yield 7.1%. Down from 80. Continuous dividends since 1911.

*A talk by Mr. Kent at the Annual Babson Summer Business Conferences, New Boston, N. H., Aug. 27, 1953.

Joins Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William P. Young has become affiliated with Barrett Herrick & Co., Inc., 418 Locust Street.

New Investing Course Announced

10-week series to be given at New School for Social Research by A. Wilfred May, in association with Sylvia Porter, Eliot Janeway, and J. K. Lasser.

The New School for Social Research announces a 10-weeks' course, "Your Investing Problems Today," by A. Wilfred May, Editor and Economist, beginning Thursday, Oct. 8. The series, which meets weekly at 5:20 to 6:50 p.m., offers practical investment guidance to all concerned with the handling of money. These include the layman as well as the professional customers' broker, investment advisor, security analyst, trustee and executor.

Sylvia F. Porter

Eliot Janeway

J. K. Lasser

A. Wilfred May

Three leading authorities are associated with Mr. May in giving the course, including Sylvia Porter, Financial Editor, New York "Post"; Eliot Janeway, business trends consultant, "Newsweek Magazine"; J. K. Lasser, lecturer and author of "Your Income tax."

Basically the course emphasizes realism and logical behavior, pointing out the many psychological foibles confusing the market place. Taxation will be fully weighed, with full exploration of its impact on individual investing decisions. Problems of family finance and long-term estate planning will be thoroughly explored.

Mr. Janeway will analyze the important inflationary and deflationary factors under a war economy and their impact on securities investment; **Miss Porter** will suggest "investing do's and don'ts for the novice" and how to avoid common pitfalls and booby traps; **Mr. Lasser** will discuss tax questions with particular reference to year-end investment procedure.

Specific help will be afforded to course members in their individual problems.

H. H. Butterfield Adds

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Marion H. Wheeler has become affiliated with H. H. Butterfield & Co., Jackson City Bank & Trust Company Building.

Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—William H. Pabst, Jr. has become affiliated with Sutro & Co., 55 North First Street. He was formerly San Jose Manager for Davies & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Philadelphia bank stocks have been attracting increasing investment attention during the past several years and because of certain developments in that area should continue to do so for quite some time.

This interest has arisen primarily from three main but unrelated factors. In the first place there has been a widening interest in desirable bank stock investments outside of New York City.

For a long period of time bank stocks in the major money centers were practically the only issues available to investors who desired to purchase bank shares. Issues in other areas were relatively small and ownership was closely held. This restricted marketability. In recent years, however, wider distribution of ownership and the necessity of raising additional capital, has created a broader and more active market for shares in some of the bank stocks in cities other than New York and Chicago.

This trend has been accelerated by the desire on the part of pension and other fund managers to obtain diversification in bank stocks. In general, banks in some of the smaller industrial centers and merchandising areas of the country benefited by the deposit growth over the past ten years to a greater extent than did institutions in the larger cities. This same factor has encouraged investment managers to look for banks which are likely to benefit from industrial changes now taking place.

In this connection Philadelphia seems to be in a particularly favorable position. The construction of the large new U. S. Steel plant nearby presages a period of industrial growth of major proportions. Increasing activity means a population and trade growth well in excess of normal. This, of course, should be beneficial to banking institutions and has undoubtedly been one of the factors stimulating interest in shares of institutions in the area.

A second factor in this connection has been the rising curve of earnings on banks in Philadelphia. While rising interest rates and increasing loans have enabled practically all banks to report an improvement in operating results, the showing of banks in the Philadelphia area compares favorably with institutions in other sections of the country.

This gain in earnings was very evident in the first six months of the current year. According to the Federal Reserve Bank of Philadelphia net earnings of third district member banks in the first half of 1953 amounted to $25.9 million as against $22.4 million in the similar period of 1952 or a gain of 16%. Actually, net current operating earnings before taxes was 19% higher but taxes rose by 26% and absorbed a large portion of the gain.

Present indications are that earnings for the full year will make an equally favorable showing. This, together with larger dividend payments, has increased the interest in bank stocks in the area.

The third and possibly most important factor which has focused attention on Philadelphia, is the numerous bank mergers and consolidations which have taken place or are now in progress.

On July 1, 1953, stockholders of the National Bank of Germantown & Trust Company approved a merger agreement with the Girard Trust Corn Exchange Bank on the basis of a share-for-share exchange. This meeting attracted more than the usual amount of interest because the merger was opposed by certain directors of the Germantown bank and received considerable publicity.

Another development which received considerable attention was the announcement by the Philadelphia National Bank that it was acquiring, subject to the approval of stockholders and certain regulatory authorities, the First National Bank of Conshohocken. Of particular interest in this connection is that the Conshohocken bank is located in Montgomery County or in the adjacent county to the Philadelphia bank. Whether or not this acquisition will be approved by regulatory authorities remains to be seen. It could, however, start the spread of Philadelphia banks into new area. Developments will be watched with considerable interest, as a result of its immediate and long range significance.

Because of the foregoing it is likely that banking changes in the Philadelphia area will be followed by an increasing number of investors as well as individuals interested in significant banking trends.

Continued from page 8

NSTA Notes

Since our closing is fast approaching, send in your space reservations today.

Sid Sanders, Foster & Marshall, Seattle, advises us that Puget Sound Power and Light will again be recorded among our advertisers in the Convention issue.

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

THE INVESTMENT TRADERS ASSOCIATION OF PHILA.

The Annual Meeting and election of Officers and Governors of The Investment Traders Association of Philadelphia will be

C. L. Wallingford

Joseph R. Dorsey

Edgar A. Christian

James G. Mundy

Samuel M. Kennedy

held on Wednesday, Sept. 30, 1953 in the Crystal Room of the John Bartram Hotel. The business meeting will be called to order at 5:30 p.m. sharp. Dinner will be served at 7:30. p. m.

The Nominating Committee, composed of:

Floyd E. Justice, Kidder, Peabody & Co., Chairman; Charles Brennan, Blyth & Co., Inc.; Victor Mosley, Stroud & Company, Incorporated; John Hudson, Thayer, Baker & Co.; George Muller, Janney & Co., presented the following slate for 1953-54:

President: Charles L. Wallingford, H. M. Byllesby & Co.

1st Vice-President: Joseph R. Dorsey, Merrill Lynch, Pierce, Fenner & Beane.

2nd Vice-President: Edgar A. Christian, Stroud & Company, Incorporated.

Seecretary: James G. Mundy, Stroud & Company, Incorporated.

Treasurer: Samuel M. Kennedy, Yarnall & Co.

Board of Governors: Six to be elected for 3 years; one to be elected for 2 years; three to be elected for 1 year:

Ray Allen, H. A. Riecke & Co.; John Cantwell, Walston & Co.; John Carothers, H. M. Byllesby and Company, Incorporated; Jack Christian, Janney & Co.; Spencer Corson, Elkins, Morris & Co.; William Doerr, American Securities Corp.; Harry Fahrig, Reynolds & Co.; James Heward, Butcher & Sherrerd; Stanley Jeffries, Chas. A. Taggart & Co.; John E. Knob, Drexel & Co.; Wm. J. McCullen, Hendricks & Eastwood; Jack Murphy, Hornblower & Weeks; Thomas O'Rourke, Carr, O'Brien Company; Clifford G. Remington, Woodcock, Hess & Co.; Willard Rice, Eastman, Dillon & Co.; J. Leslie Rogers, Blair, Rollins & Co.; Russell Schaffer, Schaffer, Necker Co.; Roy C. Thomas, F. P. Ristine & Co.; John Weller, Arthur L. Wright & Co.; George Willis, C. C. Collings & Company.

Trustee of the Gratuity Fund (3 years):

Joseph Zeller, Bankers Securities Corp.

Opens Counsel Firm

NEW HAVEN, Conn. — Arthur M. Allen is engaging in business as an investment counsel from offices at 1032 Chapel Street. He was formerly with Eisele & King, Libaire, Stout & Co.

Gross, Rogers Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard R. Ball has added to the staff of Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange.

Edw. M. Corley With Blyth & Co., Inc.

Edward M. Corley

Edward M. Corley has rejoined Blyth & Co., Inc., 14 Wall Street, New York City. Mr. Corley has recently been associated with Tucker, Anthony & Co., as manager of the corporate bond trading department.

Harriman Ripley Co. Announces Purchase

E. Roland Harriman, W. Averell Harriman and Joseph P. Ripley announced that Harriman Ripley & Co., Inc. has purchased all the remaining shareholdings of the Harriman family in Harriman Ripley & Co. As a result, all the outstanding shares of stock are owned by the management of the company.

The transaction was initiated by Mr. Ripley and was acceptable to the Harriman family, who agreed with the desirability of management ownership of all of the stock of the company.

The company will continue to carry on under the Harriman Ripley name at its present headquarters at 63 Wall Street, New York, and with offices in Boston, Chicago, Philadelphia, Cleveland, Detroit and Reading. And it will operate as heretofore as an underwriter of and dealer in corporate, municipal and governmental securities. The management will remain as at present with Mr. Ripley, Chairman, and Mr. Pierpont V. Davis, President.

With the disposal of this investment in Harriman Ripley & Co., the Messrs. Harriman expressed their appreciation for the successful operation of the company by Mr. Ripley and his associates, and look forward to cordial personal relations in the future.

Samuel Gold With New York Hanseatic

Samuel Gold, formerly of Eastern Securities Inc., is now associated with the New York Hanseatic Corporation, 120 Broadway, New York City, in their bank stock department.

Joins Du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Richard T. Schutt has become affiliated with Francis I. duPont & Co., 121 Southeast Second Avenue. He was formerly with A. M. Kidder & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Maurice H. Moore is now associated with King Merritt & Co., Inc. of New York.

Retires From Firm

Gordon H. Ullrich retired from partnership in McLaughlin, Reuss & Co., 1 Wall Street, New York City, effective July 31.

Retires From Firm

Samuel Gronick retired from partnership in Garfield & Co., 120 Broadway, New York City, on Aug. 31.

From Washington Ahead of the News

By CARLISLE BARGERON

CLAREMONT, N. H.—Your correspondent and his wife have been vacationing in New England, enjoying the ocean breezes when there were any, the cool mountain breezes when there were any, and always the delightful scenery. Also we have been trying to find out what people outside of Washington are thinking.


Carlisle Bargeron

This State along with Massachusetts is talking a lot about the coming of electronics industries which are creating additional employment; in short giving these States quite a shot in the arm against the pessimists who continually grumbled that New England was decadent. New Englanders are noted for their taciturnity and conservatism, the former trait of which was exemplified by the legends around Calvin Coolidge. As a matter of fact, in this respect he was a delightful fakir because those who knew him well knew him to be quite garrulous, as the late Will Rogers once wrote about him.

And as regards the New Englanders' conservatism they were unwittingly responsible for one of the greatest economic reforms ever to take place in this country. It is not generally known and few, if any of the modern New England generation are aware of it, that the migration of the textile industry away from this section as far back as the early 20's was responsible for the agitation which led to the present 40-hour week. New Englanders confronted with the union in their textile industry wanted to equalize the lower wages, lower living standards and longer hours of the workers in the South. A tremendous humanitarian result was accomplished but it didn't stop the migration of the textile industry. Now the electronics industry, from what I hear, bids fair to make up for the loss.

For a small state, New Hampshire has furnished some mighty illustrious National statesmen. Going way back there was Daniel Webster to whom there are monuments all over the State. But in my time in Washington, its Senators have always been men of distinction and influence. In the Coolidge and Hoover days Senator George Moses was nationally known, one of the small group of Republican leaders. Senator Styles Bridges succeeded him and has come to be one of the most influential men in national life while still in his early 50's. As President pro tem of the Senate he is third in line for the Presidency. Aside from that, his position as Chairman of the Senate Appropriations Committee is a tremendous responsibility as well as giving him a leading voice in party councils.

It is a commentary on the life of a public man that a serious problem confronting him just now, in between sessions of Congress, is what to do about the situation in the state set-up of the Federal Security Administration. There are 13 or there were 13 employes, 12 Democrats covered by Civil Service and one Republican not so covered. Under the economy drive from Washington the staff is reduced by one and it has to be the Republican. Try to explain this to the Republican party workers, those hardy souls who go out and ring door bells and get out the vote in an election, and it can't be done.

This problem of the Senator's is a problem that confronts the whole Republican Party, not only in the matter of patronage to keep their party machinery together but in the matter of getting trustworthy and loyal subordinates in the vast bureaucracy that has been built over the past 20 years.

Notwithstanding the eminence Bridges has attained, or because of it, the so-called "liberals" would like to get his scalp next year. He is up for reelection to his fourth term. These "liberals" even this early are resorting to the usual smear tactics of their trade. The results of this writer's survey, however, show that he is in no real danger. The Senator's opponents, in fact, reflect a rather hopeless attitude. He is too well entrenched, means too much to the State.

Moving about the State, talking casually with rank and file people and occasionally with men whose business is to know what is going on, you hear considerable criticism of General Eisenhower's golfing. No one with whom I talked felt strongly enough about it to want to impeach him or to want the Democrats to come back to power, so if I were the General I would go right on playing. But it is funny the criticism you hear about it. I always thought golf was a very dignified if humbling game.

It gives you thought, too, when listening to the radio in your car, your hotel room or a motel, you hear the strained explanations of Administration speakers defending their cut in the funds of the Armed Forces. This writer would think it would be something they would brag about as an outstanding accomplishment. They get their reports from the hinterland, though, and apparently they feel that defending the cut is the thing to do. Thus far has the national state of mind of a "peace loving" nation progressed.

Production Schedules Slowing Down

Lower order backlogs and declining production schedules cited in report of National Association of Purchasing Agents.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., finds the August, pickup of industrial business has not been as brisk as many had anticipated. Order backlogs are lower—a condition reported by one-third of the Survey—the largest number since June, 1952. Production schedules are trending lower in 22% of the individual reports, also the largest number since June, 1952. Some purchasing agents are of the opinion a Fall and Winter upswing may be slow in developing, which view is supported by the present short-range policy of forward buying—only 24% in the 90-day column—while there has been a slight movement into the hand-to-mouth to 30-day bracket. The September survey may show a more definite trend. Unworked material inventories are down again, with pressure to reduce further. Materials management has become very inventory conscious this Summer.


Robert C. Swanton

Prices according to the survey, show a tendency to level off or soften. Many recent nominal increases are looked upon as market feelers which must meet the sharp competition that has been developing for several months. The only noticeable effect of the Korean peace maneuver appears in employment, which has turned down a bit — not general, but spotty, over the country. Over-all, the industrial picture is not bad for the end of August—a little slower than other postwar years. Purchasing executives apparently plan to be ready for a jump or a slump and, until a more definite trend develops, to operate conservatively.

Commodity Prices

Industrial material prices show a marked trend to level off, with uneasy stability. The late August seasonal pickup in demand has brought out a number of higher quotations on steel-based items. However, buyers feel that much of this is market testing. With comfortable stocks and open production facilities available, Purchasing Agents are doing more shopping around and ordering in smaller quantities. General opinion is that prices will tend to soften rather than to stabilize.

Inventories

Inventory position of purchased materials is about static compared to previous months, though emphasis on lower stocks and higher turnover continues. Reserve supplies are in better balance with production schedules. Delivery performance of both producers and distributors is better. Purchasing Agents believe it will continue to improve.

Employment

The only noticeable effect of the Korean armistice appears in lower pay rolls reported for August. Cancellations, cutbacks and stretch-outs of military orders, particularly airplane, are back of the reports of lower labor enrollment and less overtime this month. The condition is not general, but is reported in spots over the country. The demand for skilled workers is easing off in some areas. Flow-back to school of Summer employees is seasonal.

Buying Policy

Future coverage is still predominantly 60 days and under, leaning toward the low side of the bracket — a continuation of the very conservative policy of the past five months.

Park, Ryan, Inc. Is Formed in New York

Darragh A. Park, Jr., James J. Ryan and Leonard J. Collins announce the formation of Park, Ryan, Inc., underwriters and dealers in state, municipal and revenue bonds, with offices at 70 Pine Street, New York City.

Mr. Park was formerly with Courts & Co. in New York and Messrs. Ryan and Collins previously were associated with C. J. Devine & Company.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles K. Brust is now with First California Company, Incorporated, 647 South Spring Street.

With Mitchum Tully

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Gifford A. Thomas has become affiliated with Mitchum, Tully & Co., 926 J Building.

Roswell Yunker Is Now At A. M. Kidder & Co.


Roswell J. Yunker

Roswell Yunker has become associated with A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Yunker for a number of years was with Hemphill, Noyes & Co.

Stein Bros. & Boyce To Admit Lanahan

BALTIMORE, Md.—Stein Bros. & Boyce, 6 South Calvert Street, members of the New York Stock Exchange, will admit W. Wallace Lanahan, Jr. to partnership on Sept. 10. Mr. Lanahan was formerly with Merrill Lynch, Pierce, Fenner & Beane.

William F. Goulet

William F. Goulet, partner of Goulet & Co., New York City, passed away.

Executive Treaty-Making Power And the UN's Inadequate Charter

By HON. JOHN FOSTER DULLES*
Secretary of State

Secretary Dulles, speaking at the Diamond Jubilee Convention of the American Bar Association, defines objectives of mutual security under our present foreign policy. Discusses problem involved in constitutional limitations on treaty-making powers, and the proposed constitutional amendments having in view the prevention of possible future abuses of the treaty-making power. Points out long experience of U. S. treaty-making in which there occurred not a single instance of such abuses as are now feared. Holds United Nations Charter "reflects serious inadequacies."

It has become no easy task to assure the safety of the United States. Our Army, Navy and Air Force necessarily constitute an ultimate reliance. But they are only partial insurance against disaster. We do not want to have to depend on our own unaided strength. Any free world nation which attempts, singly, to match the military might which a totalitarian system can extract out of one-third of the people and one-third of the natural resources of the world will wreck its domestic economy. It will have to impose sweeping governmental controls which will destroy the very freedom it defends. Further no measures that we take in isolation will assure our supply of strategic materials.

John F. Dulles

There is but one answer to the coerced unity of the Soviet-dominated world. That answer is the voluntary association of free nations for the common defense. To win friends and allies, to bind them to us and us to them in dependable ways, is, therefore, an essential aspect of United States foreign policy.

Mutual Security

The master security treaty of our time is the Charter of the United Nations. It has been adhered to by 60 nations. It represents the world's best hope of peace with justice. But the United Nations, in its present form, has not met all our expectations. I shall speak more of that later.

Because the United Nations itself does not provide adequate security, the United States has, by bi-partisan action, entered into a series of treaties with other nations for the purpose of furthering collective self-defense. This is authorized by the United Nations Charter.

We have the North Atlantic Treaty Organization of 14 nations, designed to insure the peace and safety of the North Atlantic Community.

We have the so-called Rio Pact of 21 American Republics, designed to promote peace and mutual security in the Western Hemisphere.

In the Pacific, we have mutual defense or security treaties with the Philippines, Australia, New Zealand, and Japan. Two weeks ago I initialed a proposed mutual defense treaty with the Republic of Korea and we have close ties with Nationalist China on Formosa.

These security treaties have been implemented by a series of base agreements made by the President. These give our armed forces the means to operate abroad more effectively in the protection of our security. For example, one plane based abroad may be the equivalent of three like planes based here at home. Under the Mutual Security Act we have joined to build up strategically located military establishments in which we share, such as the North Atlantic Treaty Organization. The result is that we and others can keep our defense expenditures within limits compatible with a free domestic economy.

In addition to treaties and agreements dealing expressly with matters of security, we must have many other kinds of treaties. No treaty of alliance is dependable without the added ingredient of friendliness. This requires treaties of friendship, commerce and trade, reciprocal trade agreements, extradition treaties, agreements defining the status of forces located abroad, treaties controlling the drug and narcotic trade, treaties in avoidance of double-taxation and a multitude of other agreements that are necessary to put international intercourse on a friendly and non-friction basis.

Treaties and executive agreements are the political tools which make it possible to provide our nation with an environment of security.

The Constitutional Problem

At this juncture a movement has grown up to limit severely the treaty-making power and to curtail the authority of the President to conduct international business.

This movement reflects concern that our treaty power might be used to effectuate domestic reforms, particularly in relation to economic and social matters, and to impose upon our country socialistic conceptions which are alien to our traditional American ideals.

These fears were largely founded upon the activities of certain committees of the United Nations.

I believe that this concern, when it arose, was a legitimate one, and that those who voiced it performed a genuine service in bringing the situation to the attention of the American public.

But I point out the arousing of that concern was a correction of the evil—a correction in the most dependable way, that is, by the vigilance of our citizenry. The danger, never great, has passed.

Proposed Constitutional Amendments

However, some fear that the danger may recur and that our citizenry may not then be alert. So, various Constitutional amendments have been proposed, with a view to preventing possible future abuses of the treaty-making power.

None of these proposals takes the form of trying to confine treaty-making to the historic and, I believe, Constitutional sense of that word. It seems to me that "Treaties" within the meaning of our Constitution are contracts with foreign governments designed to promote our national interest by assuring that our nation and others will act internationally in a way deemed mutually advantageous.

I do not believe that "Treaties" within the meaning of Article VI of our Constitution, which provides that treaties "shall be the supreme Law of the Land," are measures of primarily domestic import, or that the treaty form can lawfully be used to circumvent the Constitutional procedures established in relation to what are essentially internal affairs.

That concept is difficult to put into Constitutional words. Perhaps for that reason those who would now amend the Constitution have adopted a more rigid and less selective approach.

Let me refer to the amendment proposed by S. J. Res. 1.

Section 1 provides that any provision in a treaty which conflicts with the Constitution shall be of no force or effect.

I believe that this states the law as it now is. However, some seem to feel that the question is in doubt, and fears in this regard have been widely spread. To meet any legitimate fears on this score, President Eisenhower has stated that he approves a Constitutional amendment, such as that introduced by Senator Knowland, which will make it clear that a treaty cannot override the Constitution or deprive citizens of their rights under our Constitutional Bill of Rights.

The remaining provisions of S. J. Res. 1 would make fundamental changes.

Section 2 would cut down the nation's treaty power so that no treaty could bind the nation in respect of matters which, under our Federal system, fall within the jurisdiction of the States. This would set the clock back to an approximation of the condition which existed under the Articles of Confederation. Then, that condition was so intolerable and it so jeopardized the Confederation that the present Constitution was adopted to give the Federal Government authority, in international matters, to act for **all** the nation, including the States.

Let me tell you of our experience with treaties in the present session of the Congress.

Since it convened in January, 1953, the Senate has approved 23 treaties, 12 of which, our legal advisers say would be unconstitutional if the proposed amendment had been in effect, because they deal with matters of state jurisdiction, such as negotiable instrument laws, local licensing laws, etc. In the case of 8 of these 12 treaties the Senate vote was 86 yea's to 1 nay. Included in the 86 who voted in favor of these treaties were 55 of the 64 Senators who were originally listed as sponsors of S. J. Res. 1, which would have made the treaties unconstitutional.

This suggests, I think, that the import of the proposed amendment is not fully understood, even in the Senate. Also I suggest that the Senators, when it comes down to concrete cases, recognize that our nation must be able to make treaties which will bind not only the Federal Government but also the States.

Executive Agreements

Section 3 of the proposed amendment would give the Congress the power to regulate all executive and other agreements.

No more fundamental change in our Constitutional system can be imagined, for under it Congress and not the President would be responsible for the day-by-day conduct of our foreign relations.

The phrase "executive agreements" brings to mind such major wartime commitments as were made at Yalta and Potsdam, and which have proved unpopular and perhaps ill-advised. But "executive agreements" are the means, and the only means, whereby the President carries on the day-to-day business of dealing with other nations. Daily the President, directly or through his diplomatic or military agents, makes agreements with foreign nations. In the State Department, for example, we may agree that Foreign Ministers will meet at a certain time and place. Perhaps we agree with the Briitsh and French on a joint note to the Soviet Union about Germany. Perhaps we agree with other members of the United Nations upon a proposed resolution. Agreements are the warp and woof of international life and without them there could not be friendly international intercourse.

The Korean Armistice was made by a U. S. military commander under instructions from Washington. This armistice agreement was the climax of a series of subsidiary agreements, some made with our enemies in relation to procedures as to armistice negotiations. Some were made with the Republic of Korea, and some were made with our United Nations allies in Korea. Many of these agreements I made under the authority of the President.

The more important of these agreements were made after informal consultation with Congressional leaders. The Security Treaty which I initialed in Korea will, of course, be effective only with the advice and consent of the Senate. Agreements for economic rehabilitation are subject to Congressional appropriations. But these conspicuous agreements, requiring Senate or Congressional action, grew out of a series of preliminary agreements which were indispensable to the final result. These were of a multiplicity and of an immediacy which excluded the assumption of responsibility by a deliberative assembly like the Congress.

President Eisenhower has stated his views on these matters in the following words:

"I am unalterably opposed to any amendment which would change our traditional treaty-making power or which would hamper the President in his Constitutional authority to conduct foreign affairs. Today probably as never before in our history it is essential that our country be able effectively to enter into agreements with other nations."

I can say to you soberly that the proposed amendment, except for Section 1 which President Eisenhower accepts, would have a calamitous effect upon the international position and prospects of the U. S. It would make it impossible for the U. S. to share in the voluntary and friendly association of free nations which is necessary to offset what the Soviet Premier refers to as the "monolithic unity" of the Soviet system. It would make it impractical for the President to conduct foreign affairs and would throw upon the Congress in this respect a daily and incessant responsibility which such a numerous and already overburdened legislative body is, in practice, incapable of discharging.

The Test of Experience

We have a system which has survived for over 160 years without there being a single instance of treaty abuses such as are feared. Of course, abuse is always a possibility. I admit that. I not only admit it, I have said it. But I do not admit that, because power can be abused, it follows that power should be annulled. That is the reasoning that leads to anarchy.

If the United States renounces the power to act effectively in international affairs, because that power might be abused, the result will be a large measure of international anarchy.

It is impossible to rewrite the Constitution of the United States so that it is fool-proof. It is impossible to make freedom so automatic that its retention does not need constant vigilance.

The supreme test of any Constitution is the way it works. George Washington, in his Farewell Address, warned against amending the Constitution to meet hypothetical dangers. "Experience," he said, "is the surest standard by which to test the real tendency of the existing constitution of a country. Facility in changes, upon the credit of mere hypothesis and opinion, exposes to perpetual change from the endless variety of hypothesis and opinion."

Our Constitution, as it is, has served us well for 160 years in the field of foreign relations. There is no actual experience to demonstrate the need of the far-reaching changes that have been proposed. The fears are hypothetical. The facts are reassuring.

The founders of this nation, seeing international peril, created power to meet it. They enabled the nation to speak as a unit and with prompt, effective authority in the field of foreign relations. The system worked well. Today, we face a new and perhaps even greater peril than that which the founders confronted. We need that same political authority which they provided. If it is taken away, I see only a steady increase in our peril and a steady decline in our capacity to meet that peril.

International Law and Order

Physical scientists have enabled man to destroy himself. Political wisdom must enable man to save himself. Political leadership that timidly goes backward will never cope with scientific knowledge which goes ever forward.

This Administration has a vision of something better than bare survival in the face of danger. We have faith that it is possible to end the menace under which humanity has existed for so long. It was hoped that the United Nations would achieve this, and I still believe that it can. But to realize this hope will require that the Charter be altered in some important respects.

The United Nations Charter now reflects serious inadequacies.

One inadequacy sprang from ignorance. When we were in San Francisco in the spring of 1945, none of us knew of the atomic bomb which was to fall on Hiroshima on Aug. 6, 1945. The Charter is thus a pre-atomic age Charter. In this sense it was obsolete before it actually came into force. As one who was at San Francisco, I can say with confidence that if the delegates there had known that the mysterious and immeasurable power of the atom would be available as a means of mass destruction, the provisions of the Charter dealing with disarmament and the regulation of armaments would have been far more emphatic and realistic.

A second inadequacy sprang from the fact that the three leaders who planned the United Nations were President Roosevelt, Prime Minister Churchill and Generalissimo Stalin, precisely the three who led the war-time victory coalition against Hitlerite Germany. Inevitably, they looked upon the United Nations as a kind of peace-time prolongation of the war-time triumvirate. Consequently, the proposals initially put forward by the United States, United Kingdom and Soviet Russia, placed primary authority in the Security Council and stipulated that the great powers permanently represented on that Council must be in agreement.

At San Francisco, this concept was to some extent altered and greater scope was given to the General Assembly. However the "veto" remained in the Security Council and the General Assembly was permitted only to "recommend." Indeed, the Assembly voting procedure, with one vote per nation, precludes its decisions having more than advisory weight.

Now we see the inadequacy of

*An address by Secretary Dulles at the Diamond Jubilee Convention of the American Bar Association, Boston, Mass., August 26, 1953.

an organization whose effective functioning depends upon cooperation with a nation which is dominated by an international party seeking world domination.

A third inadequacy came out of disregard for the fact that world order, in the long run, depends, not on men, but upon law, law which embodies eternal principles of justice and morality. When the Charter was drafted at Dumbarton Oaks, it contained no mention of the word "justice" or of the word "law." That defect was to some extent remedied at San Francisco. At several points in the Charter, references to "justice" were introduced. Also the General Assembly was required to promote "the progressive development of international law and its codification." However, in the eight years of its existence, the General Assembly has made but little progress in this respect.

I recall the views expressed by that great statesman and student of public affairs, the late Senator Robert A. Taft. In his book entitled "A Foreign Policy for Americans," he said of the United Nations Charter:

"The fundamental difficulty is that it is not based primarily on an underlying law and an administration of justice under that law. I believe that in the long run the only way to establish peace is to write a law, agreed to by each of the nations, to govern the relations of such nations with each other and to obtain the covenant of all such nations that they will abide by that law and by decisions made thereunder."

The opportunity which Senator Taft saw has not irrevocably passed. The present Charter of the United Nations provides that the 1955 General Assembly will have on its agenda a proposal to call a general conference to review the present Charter. I have already announced that the United States will then vote in favor of holding such a review conference.

The 1955 conference will be comparable in its importance to the original San Francisco Conference. It will provide a conspicuous opportunity for which the lawyers of America should be prepared. There are, of course, many other opportunities.

The important thing is that the Bar of America, which exerts a powerful influence on the thinking and political action of the American people, should itself be looking forward and inventively and creatively trying to solve the great problems which confront our people at this time. The founders of our nation showed a political wisdom which has rarely if ever been matched. Surely, however, their effort did not exhaust the political genius of the American people. They invented and bequeathed to us an ordered society of spiritual and intellectual freedom. Such a society ought to be able to produce the new ideas needed to meet changing conditions. That is for us to demonstrate. Now, when new peril threatens, it behooves us to prove our worth. May we not, in our generation, emulate what our forebears did in their generation, and find the way to develop international order to shield national life? That is the challenge of our time. Let us dedicate ourselves to meet it.

Joins Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William E. Ryan, Jr. has become affiliated with Stifel, Nicolaus & Co., Inc., 105 West Adams Street.

With Albert Theis Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Guy C. Lamson, Jr. has become affiliated with Albert Theis & Sons, Inc., 314 North Fourth Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

New lows for the year were posted by both the rails and industrials, making the chief development of the week a negative one. Confidence has been impaired, at least temporarily. But an even more vital fact emerged that could have had even more sinister implications—the market refuses to act, as so widely expected, in the same fashion it did in 1946 when resistance levels were similarly breached.

* * *

Majority opinion is that the bottom of the decline has yet to be reached, which seems entirely logical. But it has been shown, at least tentatively, that the highly selective advance of the past year or so is going to be equally selective on the decline with little of the action resembling the wholesale retreat on a broad front that characterized the 1946 upset. Ironically, that downturn also was supposed to have been predicting a business depression. Yet if the rolling recession that reached its peak some two years later was what the market had foreseen, it poses the question of whether the current stock setback is a belated one, or whether the predictions of a business slump before the turn of the year or shortly after aren't a bit awry on their timing.

* * *

By the rankest of coincidences, the toll of the worst day of selling—that of Monday—was the widest break since June 9 and the industrial trim on both of those dates was exactly $4.52. The rail setback was somewhat smaller than the June upset, largely due to the fact that the rails had been under pressure for five successive sessions so there wasn't too much left to discount.

* * *

Where the Floor?

The big debate of the moment is where, and when, the new floor will be built. In this respect the technicians' glasses are somewhat more rosy-hued than those of the tape watchers. For one, after the June 9 selloff, the industrials backed up less than a point more to establish the base which lasted until now. To be exact, the June 9 closing was 263.39 and the year's lows were made a week later at 262.88. Monday's closing of 261.22 was already in what some of the chartists call the first resistance area underfoot, with an even stronger level around 255. The rails, too, are credited with a strong resistance level some half a dozen points lower. Should these new levels stand up under further pressure, it all could be written off as a correction somewhat on the mild side.

* * *

While this is consoling, the other side is somewhat more vague. Brokers who were fortunate to sell out their people half a dozen points higher, now have trouble deciding whether it is timely to buy back around now, or to search out an entirely different set of issues on which to make a stand for any future upturn. The universal questions are what can make the market turn up once the new lows are established, and which groups are logical candidates to take over the leadership.

* * *

Their dilemma was mirrored in such soul-searching questions as, "Is it logical to assume that **Chrysler** is adequately priced at $66 or is there a chance it can work back to around the $96 it commanded earlier this year?" Their problem is made even more complex by the fact that month after month lately, and for the whole year in many cases, the best acting stocks have been foreigners to the issues that usually come to mind as the bellwethers of the market.

* * *

Independently Acting Issues

Recently one such independently popular issue has been **New York Shipbuilding** which has been posting new highs throughout the selling waves and through the month of August added nearly a fifth to its value despite the drastic handling of the list generally.

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One stock that has been far from spectacular, but has stood out vividly by its refusal to be pulled down sharply with the rest, is **Eastman Kodak**. It has held throughout the year in a narrow band of some half a dozen points. Last year the range was very similar. In fact, it hasn't been since 1948 that it has had a range as wide as 18 points for a full year and in the last half dozen years it has held between $52 and $38, an unusually narrow spread considering what the averages have done in the same period.

* * *

Another issue that has ignored much of what has gone on in the market in recent years is **American Snuff**, the issue that the brokers always start analyzing for their customers when the market has shown the path is down. This age-old leader of the "defensive" set has had a swing of a mere 10 points over the past six years combined. And this year it has held in a three-point range, somewhat smaller than its 1952 range of 3½ points. In markets as unpredictable and as difficult as we have been having, this very restrained action stands out markedly.

* * *

As a matter of fact, it usually comes as a distinct surprise to the laymen that there is such a thing as snuff still being made. Actually, there are a couple of other firms generally included in this industrial classification, the others being **Geo. W. Helme** and **U. S. Tobacco.** Both have held in narrow brackets very similar to that of American Snuff despite the gyrations of the market, and even though U. S. Tobacco's ventures into the more popular cigaret and pipe lines might have stimulated hopes or accentuated fears.

* * *

An issue that, all by itself, has done a rather remarkable job of ignoring movements elsewhere is venerable **American Telephone.** It's record-breaking debenture flotations, rate troubles, and high price tag—all normally calculated to make an issue susceptible to wide swings—seem to be well offset by the arbitrage weight on convertible issues, as well as the persistent buying of odd lots by the largest group of stockholders of any American enterprise. The list now is around a million and a quarter holders, well over twice as long a roster as that of second-place **General Motors,** which has nearly twice as many shares outstanding. Big Telephone's range has been narrowing constantly in the postwar years, only a meagre dozen points for the widest-moving year and some nine points so far in 1953.

* * *

The Stable Utilities

For a picture of group stability, the utilities are the only candidates. Despite the industrial drop in August of 14 points, or about 5%, and the rail slump of 10 points for a drop of around 5%, utilities actually were able to show a gain, on average, of a couple of pennies. They ended a sick month (which generally is a bullish month by tradition, incidentally) with a change that came to around three-tenths of 1%.

[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.]

Drop in Farm Products Prices Comes to a Halt

The downward trend of farm products prices in the United States, which started in March, 1951, and carried prices down to a low for the movement in June of the present year, came to a halt in July, says the Alexander Hamilton Institute. The price index, as compiled by the Bureau of Agricultural Economics on the basis of 1910-1914 as 100, showed no change in July from the figure of 259 reached in June after a 17.3% drop from the record high peak of 313 in February, 1951. The firmer tendency in July gave support to the prospect that a precipitous decline, reflecting a serious business recession, is not likely to occur during the remainder of this year at the least.

Continued from page 5

A Look at Selected Group Stocks

been authorized in recent months. The many highways now authorized added to new dams, schools, hospitals and other institutions now being proposed should keep this industry at a high rate of operations for several years ahead. This industry, incidentally, would appear to be pretty well hedged in the event of a recession as it seems likely that both state and federal administrations in such a period would turn to road building to "make work" thus providing these companies with a substantial volume of business.

Drug Companies

The drug chemical companies have a rather mixed outlook. You will note that an official of Parke Davis this week said that the earnings for the last half of 1953 should be materially ahead of the first half year. Pfizer's sales of terramycin have picked up substantially and are apparently a major contributor to earnings of this company. Each company in this group obviously would have to be scrutinized on its own merits.

Norwich Pharmacal, a small but attractive specialty pharmaceutical house, has shown an increase in sales in every quarter but one over the past five years and was one of the few companies to show higher earnings in 1952 over 1951, and this improvement is continuing through 1953. Norwich, a small company noted for a few proprietary items including Unguentine and Pepto-Bismol, with vigorous and research-minded management, has done an outstanding job in the field of furans and could be an interesting prospect for long-term capital gain.

Electronics and Electrical Equipment

The electronics and electrical equipment companies would appear to be among the more favored industries as well. You have all read the recent statements of Mr. Sarnoff of Radio Corporation and Mr. Wilson of General Electric commenting on the electronic wonders ahead of us over the next 5-10 years. Vital in war as well as in peace, the electronics industry geared rapidly for national defense and is making a major contribution to our armament program. Such companies as **General Electric** and **Westinghouse** present impressive growth pictures.

Radio and Television: The lifting of the freeze on new station allocations in July 1952 has helped the television stocks to enter a new growth era. From 108 transmitting television stations at the time the freeze was lifted we should have approximately 275 by the end of this year, and it is expected that there will be from 1,500 to 2,000 television stations within 5 years broadcasting television programs. The replacement market for old sets alone is expected to reach 1 million a year by 1955 and 2 million by 1960, according to experts in the field. GE and Westinghouse will share in this market along with other fields of endeavor such as air conditioning which will be a stabilizing influence should the ups and downs characteristic of this industry be a continuing factor in future years.

Fertilizer Companies

Over the past decade the population of the country increased by approximately 20 million persons. At the same time the number of farmers declined about 10% or about one million. With every expectation that the next decade will see at least 20 million additional persons in the United States, it would seem that the only way enough food will be produced would be through mechanical or scientific methods. The farms of the nation are pretty well equipped with machinery and declining farm income probably will result in restricted purchases of such equipment. However, synthetic fertilizers afford the most effective and cheapest overall method of increasing yields per acre. The wheat farmers, as you know, recently voted to curtail acreage rather than lose the benefit of high protective prices. Since the farmers are a very shrewd and versatile group of people, it seems likely that they will use more fertilizer on the smaller number of acres to increase the yield per acre.

American Agricultural has paid $4.50 a year, including extras, for the past 5 years and probably will pay $4.50 again this year to yield better than 7%. **Davison Chemical**, currently about $36, paying $1.40, yields only about 4%. However, the long term prospects for Davison would appear to be quite favorable. Davison, in addition to its fertilizer business, is the major producer of synthetic catalysts used by the petroleum industry, with a most promising sales outlook. Earnings for the year ended June 30 were $3.27 a share but we believe could be materially higher in the years ahead.

Personal Finance Companies

The personal finance companies appear to be interesting, primarily for those interested in income. You have all seen the record high rate of personal loans now outstanding which should augur well for these companies in the years ahead.

Metal Fabricating Companies

The metal fabricating companies are considered highly cyclical; however, they still appear to have very satisfactory prospects for earnings and dividends in the period ahead. Such companies as **Bridgeport Brass, Mueller Brass** and **Revere Copper & Brass** have done a masterful job of diversifying and improving operating efficiency. Bridgeport Brass, which I have followed quite carefully for several years, has done an outstanding job in reducing the operating ratio, diversifying and improving the overall picture. Bridgeport has doubled sales in five years, reduced funded debt approximately 40%, paid off all the preferred stock, and earnings have trebled in that time. The dividend has been doubled in less than three years. Management, I feel, has done an outstanding job in reducing the operating cost to a break even point of about 45% of capacity. Bridgeport has never had a strike in its history and has paid dividends in 82 of the 87 years of its existence. Earnings of $3.01 were reported for the six months and $1.70 for the June quarter, indicating that the company is earning at close to a $7.00 per share rate at the moment. The dividend has been increased as earnings improved, and there is no reason to believe that directors will not continue to be generous with the stockholders within the limits dictated by sound business practice.

Meat Packers

The removal of price controls and the general decline in meat prices should over a period of time help the meat packers. Earnings this year for most of these companies turned up impressively over 1952 figures.

Natural Gas Industry

Since there is no one on this forum scheduled to speak for the natural gas shares, I will comment that the gas stocks appear to be quite favorably situated. New contracts for natural gas are being written at increasing prices, and the higher prices being paid should add impressively to earnings over the coming year for most of these companies. Since quite a few of them are "captive" operations of the oil companies, it should help to stabilize the earnings for those companies.

Shamrock Oil would appear to be one of those quite favorably situated, having developed important reserves of gas over the past several years, rewriting its contracts at higher prices, and as a result earnings over the coming years should show impressive gains.

Transcontinental Gas Pipeline Company, selling over-the-counter around $22½ and paying $1.40, is one of the highest yielding of the pipeline companies, yielding about 6.2% at the present time. Transcontinental's earnings jumped to 55c a share in the June quarter from 23c a year earlier. I would caution you that part of this increase is due to a rate increase they put through in March of this year which has not yet been approved by the FPC. However, since the Federal Power Commission allowed a 6¼% rate for United Gas Fuel Co., a Columbia Gas subsidiary, it seems to be a reasonable expectation that they will be more liberal with other companies coming up for rate increases. On the basis of $2.00 earnings Transcontinental would be earning about 6½% which seems a little bit on the high side. However, the $1.40 dividend appears to be quite safe, and the long term growth prospects are excellent. The management is highly regarded in the utility industry.

Paper Industry

The paper stocks appear to be satisfactory holdings for the time being, although here, too, upside progress may be limited. The improved earnings trend seen so far this year augurs well for the possibility of increased dividends for a number of units in this group. However, one must obviously be highly selective in picking these issues.

Crown Zellerbach and **International Paper** should do well. Crown Zellerbach, the dominant paper company on the West Coast, offers the investor a generous yield, strong financial position plus an outstanding position in the excellent long term prospects of the paper industry.

One specialty which we happen to like very much is **Scott Paper** which for the first time in many years is available at a 5% yield. Management is impressive, industry position strong, the constant growth in their specialty type tissues and their continued leadership in the field should pay off for the patient stockholders over a period of years.

Steels

Even the much abused steels do not seem overpriced on the approximately 5 times earnings basis that they currently sell and yields of 7-8%. You have all seen Mr. Grace's **(Bethlehem Steel)** statement that the industry could make more money at 90% than it could at 105% of capacity. What will happen if the rate declines materially below that figure is another matter. However, the industry has spent a tremendous amount of money in the postwar period improving operating efficiency, and the break-even point for many steel companies is probably considerably lower than is generally believed. One favorable factor in the steel picture is the cash flow to be derived from accelerated amortization of facilities.

Republic Steel, as one example, will have a cash flow of something like $24 million a year from here on for the next 4 or 5 years due to this factor. In addition, since capital expenditures are largely completed, it is estimated that their outlays for depreciation will be about $10 million a year against a depreciation charge of about $20 million. In other words, this company will have a cash flow of about $35 million if they just break even on profits. This $35 million represents nearly $7.00 a share thus making the present $4.00 dividend quite secure even if the company reports no earnings, which management feels quite sure will not happen. Every major steel company will have substantial sums accruing from this source.

Oils

The oils form such a broad industry category, being in petrochemicals, chemicals and natural gas, that it is not possible to go into the group in detail now. Generally, the group is not likely to make much upside progress as refined products may be under some pressure in the near future. However, **Union Oil**, earning at a $7.00 a share rate, seems likely to increase the dividend this fall and would appear attractive at this stage. Other California oil shares such as Standard Oil of California and Richfield should benefit from higher prices and the dynamic growth of the West.

Containers

The containers, **American Can** and **Continental Can**, still appear to be attractive on a long-term basis due to the constantly expanding use of tin and fibre containers. Both may be important beneficiaries of the recent introduction of "canned" soft drinks.

This has been a necessarily sketchy outline of a group of industries and companies. Undoubtedly, you have your own favorites which I am sure are just as attractive.

All in all, it is very hard for me to be very bearish in the face of the above. I am not trying to predict the market; however, somewhere in the near future it would seem reasonable that the shares of those companies heavy in EPT will begin to reflect the prospect of the expiration of that onerous tax at the end of the year. Added to that is the prospect of a 10% cut in personal taxes which could be quite a strong stimulus. The Administration is working on a new tax bill which may well include a credit for dividends and a change in the capital gains holding period, favorable factors which could be important marketwise.

Reports Construction Activity at Peak

U. S. Department of Commerce estimates expenditures for new construction this year will reach $34 2/3 billion, $2 billion above last year.

Expenditures for new construction this year are expected to reach $34⅔ billion, exceeding last year's record by 6% or $2 billion, according to revised outlook estimates prepared jointly by the Building Materials Division of the U. S. Department of Commerce and the U. S. Labor Department's Bureau of Labor Statistics. This year's dollar volume of new construction the announcement also states, will represent a new peak in work actually put in place, when adjustment is made for price changes.

The continuation of the steady postwar climb in construction activity into 1953 will result primarily from a sharp rise in commercial building, and substantial increases in expenditures for privately owned public utility construction, private housing, and schools and highway work. The only major types of construction for which expenditures are expected to decline are private industrial construction and farm and hospital building.

The rate of increase over 1952 will probably decline moderately in the second half of the year, reflecting a smaller rise for the last six months than is usual, as outlays for private plant decline steadily, and expenditures for private housing and military facilities taper off.

The present outlook for 1953 construction activity is based largely on relatively firm estimates of work already put in place during the first seven months, and on documented information about work under contract and to continue or be completed during the remainder of the year. The former accounts for 56% and the latter for something over 25% of the expected annual total. In estimating for the balance, the assumptions were that only mild readjustments in the general economy would take place this year; that close to 1,100,000 dwelling units (private and public) will be started, compared with 1,127,000 in 1952; and that the Korean truce will have no effect on construction this year, and no other major changes in the international situation will occur to affect the level of construction activity.

Private and public construction both will share in the 1953 rise. The dollar volume of private work is expected to reach the unprecedented sum of $23.1 billion, or two-thirds of the total. The sharpest upturn in private activity this year will occur in commercial building, for which outlays will increase about 45% to a peak of $1.7 billion. Facilities actually put in place, however (expenditures adjusted for price changes) were exceeded during the prosperous 1920's.

Public utility construction, at $4.4 billion, is expected to be at an all-time high **both** in dollar volume and in physical plant installed, marking the tenth successive year of expansion. Most of the 11% rise in expenditures over 1952 will occur in the gas and electric light and power group, with only moderate increases on railroad and telephone and telegraph work.

Although the downtrend in private industrial building begun in March is expected to continue through the year a total of nearly $2.2 billion will probably be spent for this work. This is exceeded only by the $2.3 billion spent last year.

A third of all new construction activity and half the outlays for private work will be for residential building ($11.7 billion). The 5% increase over 1952 in expenditures for new nonfarm dwelling units will occur in spite of a decline in units started. This results from higher prices and the unseasonally large number of dwellings begun during the latter part of last year, which were still under construction early in 1953.

The expected total volume of new public construction this year, $11.5 billion, will, like private residential building, account for about a third of all 1953 activity. Only about three out of every 10 dollars of public work will be for direct defense purposes—public industrial plant and military and naval facilities. Public industrial construction, largely work on atomic energy establishments, will advance 15% to a peak of nearly $1½ billion, as construction of the Portsmouth, Ohio facility gets into full swing. On the other hand, military and naval construction is expected to be about the same as in 1952. Some projects were delayed and some may be set aside as a result of the Budget Director's instruction to review Federal projects for essentiality.

On the other hand, expenditures for two important civilian types of public construction—highways and schools — will probably rise by 10 and 8% respectively this year, to new record levels both in dollar volume and in physical capacity provided. Most of the funds involved are from State and local sources.

NYSE Adopts New Plan For Sale of Large Blocks of Stock

Keith Funston, President, describes how plan would work where individual sought to dispose of 50,000 shares of "inactive" issue.

Keith Funston, President of the New York Stock Exchange, on Aug. 28 announced a new plan, known as an Exchange Distribution, to facilitate the sale of large blocks of stock on the Exchange.

G. Keith Funston

The plan was approved by the Board of Governors of the Exchange on July 9, contingent upon the Securities and Exchange Commission approving an amendment to their Rule X-10B-2 which governs compensation which may be paid to securities salesmen. The SEC has approved the amendment and the plan became effective Aug. 31, 1953.

Mr. Funston pointed out that Exchange Distribution is the second of two marketing plans to become effective as the result of the work of the Special Committee on Broadening the Auction Market. The Committee made a number of recommendations in January this year, based on one of the most intensive analyses of the operations of the Exchange ever undertaken.

The first plan, effective June 1, allowed a specialist in a given security to buy a block of that security off the floor of the Exchange and sell it in the Exchane's auction market.

"Each plan," Mr. Funston said, "is designed to bring more stock to the floor of the Exchange. By thus increasing the breadth and liquidity of the Exchange's market, we can function more efficiently in the public interest."

The Exchange Distribution plan provides that a member, or member firm, acting on behalf of a customer who wishes to sell a large block of stock, may solicit orders from the public to buy the stock, either alone or with the help of other members and member firms.

The customer for whom the stock is being sold would pay a commission to the member or member firm for this service; buying customers would pay regular commissions. The registered representative employed by the member firm (who are brokers dealing directly with the public) could be given extra compensation for soliciting orders to buy the security.

Orders to buy would be "crossed" with orders to sell on the floor of the Exchange under the usual rules governing such transactions.

For instance:

Mr. Smith has 50,000 shares of XYZ Corporation, a relatively inactive issue, which he wishes to sell. He goes to a member firm with a request to sell the stock. After investigating the market for that particular issue, officials of the Stock Exchange agree with the firm that the stock could not be sold within a reasonable time in the regular way and the Exchange approves sale of the stock as an Exchange Distribution.

The member firm explains the situation to Mr. Smith and suggests an Exchange Distribution as the most economical procedure under the circumstances. Mr. Smith agrees. The member firm decides they can dispose of 25,000 shares to its own customers but will need the assistance of several other firms to sell the balance.

The salesmen for the firms participating in the selling group then solicit buy orders for the security, a merchandising effort for which they may be paid extra compensation.

On the first day of the distribution, Mr. Smith's own broker, with the help of the participating firms, may get orders to buy, say, 25,000 shares. Those orders are sent to the floor of the Exchange, plus an order to sell 25,000 shares of Mr. Smith's original 50,000 shares, and the two orders are "crossed" under the Exchange's rules in the auction market. The selling effort is continued until Mr. Smith's 50,000 shares are disposed of.

FHLB Notes on Market

Public offering of $98,500,000 Federal Home Loan Banks 2¾% series C-1954 non-callable consolidated notes was made on Sept. 1 through Everett Smith, fiscal agent of the Federal Home Loan Banks, who will be assisted in the offering by a nation-wide selling group of securities dealers. The notes, dated Sept. 15, 1953 and due March 15, 1954, are priced at 100%.

Proceeds from the sale of the notes will be used to provide funds for making additional credit available by the Home Loan Banks to their member institutions.

The notes are the joint and several obligations of the Home Loan Banks and are legal for investment by savings banks, insurance companies, trustees and other fiduciaries under the laws of many states.

Upon completion of the financing outstanding note obligations of the Home Loan Banks will aggregate $349,500,000.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Gordon G. Glidden has become associated with Daniel Reeves & Co., 9445 Olympic Boulevard, members of the New York and Los Angeles Stock Exchanges.

Rejoins Van Denburgh

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Harlan K. Deckert has become associated with A. S. Van Denburgh & Co., Inc., 27 South Euclid Avenue. He has recently been with Douglass & Co. Prior thereto he was with Van Denburgh & Karr.

LETTER TO THE EDITOR:

Calls for Gold Redeemable Money With Gold at $70 Per Ounce

Harold E. Barton of San Jose, Calif., expresses his "grass roots" views on gold, sound money and economic stability. Calls for an immediate return to a gold redeemable currency and a new gold value of the dollar at $70 per ounce.

Editor: Commercial and Financial Chronicle:

I have read in several of the leading financial publications of our country, especially the "Commercial and Financial Chronicle," the views of bankers, industrialists, economists and others on the subject of gold, sound money and economic stability. These are matters of such vital importance that if our government does not find a solution in the near future, we shall see tragic times for many people. I was not satisfied with the soundness of many of the views above referred to nor did some of them clarify the issue for the ordinary man. Therefore, I have undertaken to set forth the simple facts as I have seen them—lived with them—and been influenced by them throughout more than three-score years, in the capacity of a farmer, prospector, miner, oil driller, contractor, minister, teacher, field engineer, and insurance salesman. Along the way we have raised and educated nine children and to date have 24 grandchildren, and we are neither rich nor very poor, just a so-called middle class family of the U. S. A. My one desire in this matter is that my posterity and that of my fellow citizens have the same opportunity for life, liberty, and the pursuit of happiness that we have had. No red blooded American could ask for any less nor willingly accept any less. I have written the above facts of personal history for the purpose of revealing the background of the views I am about to set forth, which are right down to the "grass roots" of American life.

In any intelligent consideration of this subject we must recognize several basic facts which are incontrovertible.

First — Free and lively trade between the people of the earth is absolutely necessary to prosperity. By the term, prosperity, we mean basic needs and legitimate desires recognized and supplied. No one nation has the means for that supply essential to a high standard of living, hence the need to buy, sell and exchange one with the other. Apart from a large measure of freedom in trade, there can be no wide spread mutual prosperity. This is self evident.

Second—There must be a basic unit of measurable value, recognized by all nations, in order to facilitate trading. There is only one such commodity in all the world and that is gold. This has been true from ancient times and is true today regardless of who likes or dislikes it. Those who ignore this fact or seek to change it, are the evident enemies of the people of this country and of the world, as to their best interests.

Third—We are now living in a period of high prices for everything; labor is higher than it has ever been in our history, consequently the materials produced by labor are high. In fact all services preformed by either men or machines, in every department of life, are very high. If we could stay on this high plane all might be well, but we cannot do so under the present set-up. Why? Because our government has frozen the price of gold, the world's basic unit of value, at a completely arbitrary and unrealistic price, i. e. $35.00 per ounce, while other nations turned their gold loose to find its market level and even supported a higher price in some instances.

Conditions have so changed that the present frozen price of gold in this country is utterly inadequate to secure the best interests of our great economy and that of others as well. The effect of this low price for gold is simply this, in brief—because we Americans are a hard working, ambitious people, eager for new worlds to conquer in the realm of science, invention and production, we have produced a huge surplus of goods that we cannot consume or use within our own borders, therefore our government has introduced price support, government purchase, storage and guaranteed credit on an immense scale, in order to prevent the total collapse of our entire economy, especially agriculture. Obviously we cannot go on doing this forever, so there comes a time when the wheels of our economy cease to turn so fast, the result being unemployment and tragic suffering among many people, involving loss of savings, homes that were not paid for, provision for illness and old age. This period of business recession and readjustment must then go on until the cost of labor and materials are forced down to the level of years ago. Only then can our economy start on the upward climb again toward the high level of today.

No man who has lived at the "grass roots" of our economic life and passed through several "depressions," with vivid memory of what occurred to all of us therein, can look upon the present situation without great apprehension for the welfare of his posterity. When I note our high standard of employment and remuneration thereof, maintained in large measure by government subsidy, price support, and war production, with the inevitable heavy taxation and printing press money financing necessary to pay for the great surplus of goods which we can neither eat, explode, or sell under our present money set-up—I say emphatically, this present prosperity cannot last, unless intelligent and determined action is taken soon to put a sound convertible gold-backed unit of exchange under our whole economy and thus open the doors of trade now closed and others fast closing to our products. Our government must cooperate in this or suffer the consequences.

Fourth — Can the impending tragedy be avoided? My answer is yes, it can be avoided by evaluating our stock of gold on a par with world prices, demanding as many dollars per ounce as others demand, and giving as many dollars as others give. Thus and thus only can we compete for world trade and get it, thereby disposing of our surpluses to those who need and will buy on an equal basis of money value. We must stop this vicious devaluating of our currency caused by printing such huge amounts of it together with bonds and still more bonds, redeemable only by that same printing-press money, which in turn is backed by a tottering, over produced, tax heavy economy. Why shut our eyes to the ebb and flow of the tides in human affairs? With gold selling on foreign markets all the way from $54.00 per ounce (reported in the annual report of a foreign mine) to $100.00 per ounce, (reported by a traveler abroad); with France offering $66.00 per ounce to bolster her finances (reported in a reliable paper) and getting very little at that price; with smugglers buying a reported $25 million of our Treasury gold and selling it for double what they paid, in the foreign market (I read that they have been indicted but not that those guilty of selling it to them had been indicted, though equally guilty); with private hoarders offering up to $100.00 per ounce, why it is only natural that trade will go where the greatest return in goods can be received for its money. Any one can buy more with $54.00 to $100.00 than he can with $35.00. There is most assuredly nothing complex about that, then please let's have no more of this beclouding of the issue and get down to the "grass roots" of the matter and stay there long enough to do some intelligent legislating and negotiating with other nations and try and stop the economic crash that only the inexperienced or the blind cannot see is impending under our present policy.

Fifth—It is squarely up to our government and the Congress to face this issue and work it out. There is little use in talking any more about who or what got us into this mess, we will not soon forget (I hope). It is now time to act, for if we go down we will carry most of the world with us. Divided by unequal values we fall—it was so before and will be so again—unless we forget politics, turn a deaf ear to the money barons and exponents of managed currency of the printing-press kind who profit from the distress of those who go down in a depression, and also to the inexperienced, unrealistic, untried theories of some of our professors of economics, and get into action, putting a sound gold-backed dollar, as good as any other nation's dollar, (which it isn't now) no matter by what name it is called, beneath our economy and go to work with firm resolve to get out of the deplorable and dangerous condition we are now in financially, and give other nations a chance to do the same.

Thus shall we stop this give-give-give, which humiliates and antagonizes the recipients even though it helps them out. Let me emphasize that "working out" is the only way out, and don't let anyone kid you it can be done any other way, and that is a long, hard road to travel, and that road must be paved with a sound gold-backed dollar, else our economy will bog down before we reach our objective. Suppose that dollar is backed with only one-seventieth of an ounce of gold? As long as it opens the doors of trade and keeps them open that would be a lot better than the present dollar which has no gold behind it and which other nations won't buy at our price for their gold.

One prominent writer says in so many words, "—that $70.00 per ounce for gold would depreciate our dollar one-half and that would also wipe out half of the value of our bonds, bank deposits and insurance benefits already paid for"; but the real fact is, that one-half or more is already wiped out by present inflation and a sound gold-backed dollar of realistic value would help save the other half and in time help recover the half now lost. This same writer in criticizing the statement of another writer said, "that the dollar had not been devalued since 1933-34." What nonsense! What is the measurement of a dollar other that the amount of goods or services it will buy on the market? If therefore we cannot buy one-half as much now as we could in 1933 or 1934, has the dollar not been devalued? Of course it has. I cite this to show the type of impractical thinking that is helping to keep us in the place of "do nothing now" or "wait till the dust settles," a policy with which we become too disgusted for words (not so long ago), while golden opportunity runs out. Again a certain large bank says, "that to mark up the price of gold would increase inflation." This is scare propaganda, not supported by facts of our recent history. What is making for inflation right here and now as well as in our experience these past 10 years? This: labor still going up, materials going up, services going up, taxes going up, cost of all levels of government going up, and printing-press money financing to the tune of $45 billion already and still going up.

How can we stop this vicious spiral of prices that is rapidly bringing our nation to financial ruin? First of all a sound dollar by which we can trade and trade and trade, in order to get more money and still more money to pay taxes and more taxes even until sanity in government can cutdown the demand for such staggering amounts which we are spending today. Second, economy, honesty and a sound business practice in administering public office from the smallest township up to the nation's capitol. Third, put an end to all those New Deal policies that make for inflation and living beyond our income, on the individual and national levels. Fourth, by hard work and frugal living we can start paying off the enormous national debt and thus cut down the back-breaking load of interest payments. Many of us don't know anything other than frugal living, others must get in line or pay for their folly.

Sixth — There have been some very thoughtless and heartless words written about the present lot of the miners. I am not now a miner nor do I own any mines, but I do hate injustice to any individual or group of individuals. This present monetary policy has for some time and still is, causing great hardship to a large and useful group of our citizens, the miners. They have just as much right to live their lives in their chosen occupation as any other group of citizens. Scores of metal mines, gold, copper, lead, zinc, etc. are shut down because of the present government policy toward their products, which holds the price down while their labor and material costs soar to the sky. On the other hand, contrast the treatment accorded the tobacco growers (a smaller group than the miners) for instance; they are supported by taxpayers' money to go on producing at a profit, the government buying more and more, even though a great surplus is now on hand, which cannot be sold elsewhere at present prices of gold.

Contrast the relative value of these two commodities. Tobacco is a national liability of the first magnitude, in physical health and in fire caused losses, these amounts alone, if saved and applied, would wipe out the national debt in not too long a time. In truth not one good word can be spoken for the obnoxious weed. Whereas, without metals our country would never have become what it now is nor could it continue to exist in prosperity, let alone progress to still higher heights of efficiency and enjoyment of living. And yet the tobacco grower is supported and the miners are oppressed and many put out of business by law, not even allowed their constitutional rights for survival in this free democracy of whose equality and justice we boast. Is this fair? By what moral or legal principle? None, absolutely none! Then let our government and Congress put an end of this injustice at once, for we shall need every ounce of production from every industry and every man engaged in them to meet our obligations in the future, which we have contracted for in our own behalf and that of others. Never forget that while we have crossed off billions of dollars from our books owing us from other nations and may well cross of many other billions, yet all of these same billions are still on that book that reveals the load of debt that is still on our collective backs, and which must be paid if we are to maintain our solvency and self-respect. Our past and present policy of deficit spending is comparable to playing the so-called game of Russian roulette; sooner and not much later, the last billion of deficit spending will get us.

There is yet time to heed some "grass root" thinking and do some "down to the earth" acting. I believe that under God, Who alone can give wisdom for these days and Who said "Righteousness exalteth a nation but sin is a reproach to any people," we can prevent a serious depression and thus assure to our children and grandchildren that opportunity that they have a right to expect from their forebears. We do therefore petition the legislative and executive branches of our national government to consider and take action without unnecessary delay to establish a realistic, sound gold-backed dollar and adopt such monetary policy with other nations as will open the doors of trade. Because of the high cost of living prevailing now, and the price of gold abroad, it will be necessary to raise the price of gold to at least $70.00 per ounce.

A prominent economist after careful investigation and study, recently reported to the International Monetary Fund, "That we will see $78.75 per ounce for gold or we will see 75-cent wheat and 75 cents per hour for labor, one or the other." I believe he is dead right in principle and nearly so in figures, perhaps exactly so. Fellow citizens, we must let our representatives in Congress know which we want. Stay on our present high economic level by legislating a sound gold-backed dollar that will open the doors of trade or go into that long distressing slide back to the old level where our price of gold is now frozen. Next year may be too late. Experience reveals that when the pendulum starts down it does not stop until the bottom has been reached.

HAROLD E. BARTON
663 South 9th Street,
San Jose, Calif.
July 27, 1953.

Rodger, Kipp With First Securities Co.

CHICAGO, Ill.—Arthur T. Rodger and Austin G. Kipp, doing business as Rodger, Kipp & Co., announce that they have combined their business with First Securities Company of Chicago, effective Sept. 1, 1953.

Mr. Rodger has been head of Rodger, Kipp & Company since 1928, except from 1939 to 1942 when he was a partner in Brailsford, Rodger & Co. Prior to forming his own company he was associated successively with the Miami Corporation and A. G. Becker & Co. in Chicago.

Austin G. Kipp, who will be a registered representative of First Securities Company, has been associated with Mr. Rodger since 1930. Previously he had been with the Chicago Trust Company for 7 years.

Leston B. Nay, President of First Securities Company, said the combined business would continue in the First Securities offices at 134 South LaSalle Street.

Phila. Bond Club to Hold Annual Field Day

PHILADELPHIA, Pa. — The Bond Club of Philadelphia will hold its 28th annual Field Day Sept. 25 at the Huntingdon Valley Country Club. A well-rounded program of events has been arranged for the outing, including an inter-city golf match, a tennis round robin, a stock exchange and numerous other activities.

Overseeing the various phases of the program will be Harley L. Rankin, Goldman, Sachs & Co., as Chairman; Theodore E. Eckfeldt, Stroud & Company, Incorporated, Vice-Chairman and Alfred Rauch, Kidder, Peabody & Co., ex officio.

The 10 committees handling the field day consist of:

Registration: Theodore E. Eckfeldt, Chairman; William Z. Suplee, Suplee, Yeatman & Company, Inc., and Warren H. Bodman, Woodcock, Hess & Co.

Special: R. Victor Mosley, Stroud & Company, Incorporated, Chairman; Harold F. Carter, Hornblower & Weeks; Russell M. Ergood, Jr., Stroud & Company, Incorporated, and Harry B. Snyder, Yarnall & Co.

Golf: Frederick T. Severing, Chairman, Walter A. Schmidt, Schmidt, Poole, Roberts & Parke; Raymond H. Gage, Jr., and W. Walbert Smith, Jr., Penington, Colket & Co.

Tranportation: Leighton H. McIlvaine, G. C. Haas & Co., Chairman; John C. Bogan, Jr., Sheridan Bogan Paul & Co., and Eugene Arnold, Harriman, Ripley & Co., Inc.

Arrangements: Edward C. Sayers, Smith, Barney & Co., Chairman; John F. Bunn, Jr., Bioren & Co., and George W. Elkins, Jr., Elkins, Morris & Co.

Publicity: Arthur Horton, Penington, Colket & Co., Chairman; Osborne R. Roberts, Schmidt, Poole, Roberts & Parke, and Harold F. Scattergood, Boenning & Co.

Tennis: Rawson Lloyd, The Wellington Company, Chairman; Francis M. Brooke, Jr., Brooke & Co., and Lawrence A. Brown, Jenks, Kirkland & Grubbs.

Attendance: Walter W. Buckley, Walston & Co., Chairman; John H. Blye, Jr., Wurts, Dulles & Co., and Kurt J. Huttlinger, F. P. Ristine & Co.

Guests: W. W. Keen Butcher, Butcher & Sherrerd, Chairman; Robert G. Rowe, Stroud & Company, Incorporated, Edward Starr, Jr., Drexel & Co., Norbert W. Markus, Smith, Barney & Co., Walter L. Morgan, The Wellington Company, Bertram M. Wilde, Janney & Co., Robert V. Wehrheim, Philadelphia National Bank, William H. P. Townsend, E. W. Clark & Co., Stanley Russell, Blyth & Co., Inc., Edgar J. Loft, and Gordon Crouter, DeHaven & Townsend, Crouter & Bodine.

Entertainment: Lawrence M. Stevens, Hemphill, Noyes & Co., Chairman; Newlin F. Davis, Joseph C. Morris, Jr., Frank L. Newburger, Jr., Newburger & Co., John Derickson, Blair, Rollins & Co., Inc., and John E. Fricke, Thayer, Baker & Co.

Davies Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—M. B. Thruston has been added to the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Jacques C. Nordeman

(Special to The Financial Chronicle)

Jacques C. Nordeman, member of the New York Stock Exchange and partner in Gruns, Nordeman & Co., passed away Aug. 28 at the age of 60.

But Not Enough!

"Industry representatives from time to time have advised the Commissioners that they intend to make suggestions for revisions of various rules and forms of the Commission, as well as for amendment of the laws which it administers.

"The Commission will hold itself ready to receive and discuss suggestions by any group of citizens with respect to its rules and forms.

"Similarly, if proposals are presented for amendment of the laws which it administers, the Commission will hold itself in readiness to render such assistance as the appropriate committees of Congress may request of it.

"The Commission itself is conducting a review of its rules and forms with a view to simplifying them wherever that can be done consistently with its statutory duties to protect investors, and it welcomes any suggestions which may be made to that end. It is also reviewing its statistical services and programs."—Ralph H. Demmler, Chairman of the Securities and Exchange Commission.

All this is well as far as it goes. But it fails by miles to go far enough.

It would hardly be reasonable to expect Mr. Demmler to suggest doing away with the SEC altogether—but that is what is needed.

In any event, the American system of free enterprise is based on the principle of *caveat emptor,* or let the buyer beware. The existing Federal securities legislation, embracing the New Deal philosophy of government reverses this and provides that the seller beware. It is one thing to legislate against affirmative misstatements or the wilful concealment of relevant facts and quite another to adopt economically unsound laws of the instant nature, and the NASD 5% mark-up philosophy, which has had the SEC's blessing, is worse than Chester Bowles' OPA. Mark-ups should be determined by competition in free markets.

If legislation or rules tantamount to laws such as those mentioned obtained in trade and industry generally, employment would shrink at least 50% and our standard of living would be affected accordingly.

Tax Reforms in Offing

Dan Throop Smith, Assistant to Secretary of the Treasury, points out many of laws need to be changed to relieve hardship situations and to encourage economic growth.

In an address at the seminar session of the Central States School of Banking, conducted by the University of Wisconsin, Madison, Wis., Dan Throop Smith, Assistant to the Secretary of the Treasury, on Aug. 27, declared that many laws need to be changed to relieve hardship situations and to encourage economic growth.

Dan Throop Smith

"There are also lots of technical changes necessary to remove annoyances to taxpayers," he said. In spite of the tight budget situation, Mr. Smith expressed optimism about securing substantial tax reforms with in the next year.

"Even if it is necessary to put some things into effect on a limited basis at first," he said, "it should be possible to get a new attitude reflected all through the tax laws."

Describing the close working relationship between Congress and the U. S. Treasury, Mr. Smith pointed out that over 50 joint committees of Congressional and Treasury staff members have been set up to analyze proposed changes in different parts of the law.

"These groups do the spade work for the members of the House Committee on Ways and Means and the policy officials in the Treasury," he said.

The Ways and Means Committee, he added, has just completed a very extensive series of hearings which has produced valuable information for consideration by both Congress and the Treasury.

"We are getting off to a fine start and when January comes around, I think we'll have something very useful to show for our efforts. It is quite clear that there is full agreement that we need basic changes to remove tax barriers to continue economic expansion," Mr. Smith reported.

He cited problems in allowances for dependents, for working widows with children, and "in getting some sense in the present discriminatory combination of excise taxes" as among the hardship problems receiving attention.

On the incentive side, Mr. Smith referred to greater liberality in depreciation deductions, simplified and modified rules on pensions and retirement plans, and "a good many things of special importance to small business, including a better treatment of deductions for research and development work."

F. Frazier Jelke

F. Frazier Jelke, partner in Frazier Jelke & Co., New York City, passed away Aug 30, at the age of 73.

LETTERS TO THE EDITOR:

More on Gold Price Controversy

Philip G. Gans expresses disapproval of views of Frederick G. Shull, and Mr. Shull, in turn, answers letter to "Chronicle" of James V. Polacek.

Editor: Commercial and Financial Chronicle:

It is always interesting to read Mr. Shull's letters on why the price of gold should be $35.00 an ounce—they are so irrational.

His concern for the people is heart rending. He constantly reminds us that if the price of gold were to be raised, all of us would suffer a very heavy loss and in order to make his argument sound ominous, he usually brings out the amount of Life Insurance outstanding and our Astronomic National Debt, inferring that dollar value would be impaired.

It seems to me, that his dire prediction is already a fact. Is he deluding himself that our dollar is of the same value today as it was in 1940? He knows and we all know that the dollar of today as compared to 1940 will only buy about 45 cents worth of what one could buy in 1940.

He is in favor of going on the Gold Standard. I am, too, but imagine if we were to do this, what would the results be.

He contends that by raising the price of gold, we devalue the dollar—then how can he explain the depreciation that has taken place in the last 15 years—and if we go back further to 1933, when the present price of $35.00 was set and compare what we could buy for a dollar as compared to today, why the depreciation would be over 100% in certain commodities and merchandise.

This depreciation we know to be a fact, yet in all this time the $35.00 gold price has remained. This being so, why has the dollar declined in value to such an extent with the price of gold remaining constant?

It seems to me that Mr. Shull is raising an imaginary situation. I am afraid that if we were to go back on a gold standard of $35.00 and could redeem our dollars for gold, the amount we now have in Fort Knox would be withdrawn so quickly it would create panic.

Yes, let us get back on the gold standard, but before we do, let us revalue the price in keeping with today's price structure.

I notice the Treasury is none too anxious to embark on a gold redemption program based on today's price. I think they know what the sorry results would be. It so happens that the nation with the most money still denies the citizen the privilege of exchange; further, it is a crime to possess gold and this being so, it is obvious that gold is worth more than $35.00.

Ironically enough, only the central governments of Foreign Nations can obtain gold at the low price, and fortunately for us, they, for the most part, are bankrupt.

If and when they are able to obtain dollars, I notice they redeem the dollar for gold. In essence, what we are doing is giving the rest of the world a present and denying the same privilege to our taxpayer. Yes, I would like to see the United States back on a gold standard, but not with a $35.00 valuation . . . it would be suicide at that price.

PHILIP G. GANS

2309 South Florence,
Tulsa, Oklahoma,
Aug. 20, 1953.

* * *

Mr. Shull Replies to Critic

Editor: Commercial and Financial Chronicle:

The letter by Mr. James V. Polacek, your issue of Aug. 13, expresses hope that discussion of "The Price of Gold" can be "continued as this is a most important article (Mr. Philip Cortney's, your June 11 issue) at this time." With extension of the cooperative support which the "Chronicle" has already been according this debate, there would seem to be no reason why it cannot be "continued"—until the pros and cons have been well aired.

Mr. Polacek, supporting Mr. Cortney's view, says "there is nothing sacrosanct about the price of $35 per ounce" as the official price of gold, but in the present writer's view, that statement is open to question. One definition (Webster's) of "sacrosanct" is that it means "inviolable"; and the latter is defined as something that is "secure against corruption." Now, subsequent to the raising of the official price of gold to $35 an ounce, the National Debt — to mention one aspect of dollar-obligations based on that "official-price" — has increased ten-fold, from less than $30 billion to nearly $300 billion. Doesn't that make it quite apparent that there is something "sacrosanct" about this $35 price and isn't it a price that cannot be raised without its having a "corrupting" effect on the appropriate "value" of obligations-payable-in-fixed-numbers of dollars — bank deposits, government bonds and life insurance benefits—consummated since 1934, and predicated on a dollar carrying a "value" of one-thirty-fifth of an ounce of gold per dollar? If such transactions are not "sacrosanct," what transactions are?

Again, Mr. Polacek says that "so much has been done to the currency that it cannot have the same value as before 1939." But, what we are really talking about is the American dollar; and nothing has been done to the "value" of that dollar since January, 1934, when, by Congressional action, it was decreed to be 13 5/7 grains of fine gold per dollar; and nothing will be done until Congress alters that "value" — which, let us hope, it never will. It seems fair to say, however, that some of the inflation we have experienced since 1934—the reduced "purchasing power" of the dollar—has been due to a lack of confidence that our political leaders will have the monetary sagacity and forthrightness to see to it that the dollar be rigidly maintained at $35 a fine ounce of gold; but, in the main, that "Inflation" has in all probability, been due to the fact that it now requires about 70% more dollars to equal the same gold value than it did prior to 1933.

We fully agree with Mr. Polacek's statement, "We need a restoration of the gold standard"; but we disagree with his claim that the price of gold should be raised above its present $35 level. For, all highly competent monetary experts—past and present—have strongly emphasized that tampering with the gold value of a nation's currency is fraudulent, dishonorable, and to be avoided at all costs.

FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League.

2009 Chapel Street,
New Haven 15, Conn.,
Aug. 18, 1953.

Louis Sherfesee, Jr.

Louis Sherfesee, Jr., partner in H. C. Wainwright & Co., Boston, passed away Aug. 30 at the age of 42.

Inflation in Communist Countries

By PAUL EINZIG

Dr. Einzig lays cause of inflation in Communist countries to Keynesian principle that excessive capital expenditure generates inflation. Says Stalin recognized, but ignored, fundamental economic laws and forced his policy of excessive capital expenditures on satellite nations. Points out in capitalist countries effects of excessive capital investment can be offset by private savings.

LONDON, Eng.—Writing in the Oct. 2 issue of "Bolshevik" shortly before his death, Stalin unwittingly explained the fundamental reasons for the inflationary conditions in the U. S. S. R. and in the Satellite States, conditions which were mainly responsible for the unrest of recent months and for the change in Soviet policies under his successor. "Those comrades who think . . . that the Soviet State and its leaders can abolish the economic laws and replace them by new laws are fundamentally mistaken. . . . People can discover these laws and employ them in the interests of society, but they cannot change or abolish them, nor create new laws."

Dr. Paul Einzig

Yet throughout his long rule over the U. S. S. R., Stalin utterly disregarded the truth he so clearly stated on the eve of his death. He and the other Soviet leaders imagined that they were able to ignore and alter the Keynesian law according to which excessive capital expenditure generates inflation. They thought it possible to devote with impunity an abnormally high percentage of the national productive capacity to armament, and an equally abnormal percentage to industrialization. They forced the unfortunate Satellite States to pursue the same course. The result was that the production of consumer goods was grossly inadequate in quantity and in quality both in Russia and in other Communist-controlled countries.

The recent report issued by the Economic Commission for Europe clearly illustrates the economic consequences of this disregard of economic principles. The plans of production of Eastern Germany, Czechoslovakia and Hungary for 1953 provided for a further expansion of the industries producing capital goods. The purchasing power put into circulation in this connection was not met by any corresponding increase of the output of consumer goods. The result was inflation, leading to acute shortages of consumer goods. Under the pressure of facts the East German Government had to acknowledge the operation of economic laws by raising the controlled prices and by cutting wages. This caused widespread discontent culminating in the riots.

In Czechoslovakia the Communist Government sought to conform to economic laws by means of highly drastic deflationary monetary measures. Savings were cancelled, Government bonds repudiated. Even so, according to the calculations of the Economic Commission for Europe, prices in Czechoslovakia in terms of wage units are now between twice and eight times as high as in Switzerland.

In the U. S. S. R., too, inflation due to excessive captial expenditure on heavy industries and arms has become a chronic state of affairs. From time to time drastic monetary measures were carried out to cope with the situation. No amount of monetary conjuring can alter, however, the elementary fact that in a Communist country it is not possible, any more than in a Capitalist country, to distribute goods in excess of the quantity available for distribution. Indeed a Communist country is in a worse position than a Capitalist country to over-invest with impunity. In a Capitalist country inflation through excessive capital expenditure can be avoided if such expenditure is accompanied by a corresponding degree of saving by the public. The consumers may temporarily renounce the use of their full purchasing power, so that the demand for consumer goods need not exceed the supplies available. In a Communist country, on the other hand, there is little or no inducement for the public to save. Indeed the accumulation of capital through saving would be contrary to the equalitarian principle. There capital expenditure necessarily puts the Keynesian law into operation. It produces an inflationary state of affairs. Unless the authorities adjust the prices or cut down the purchasing power of the public the inadequate supplies of consumer goods disappear. The result is a lengthening of the queues and acute discontent.

It seems that Malenkov is becoming aware of the need to recognize economic laws. Hence the announcement of the decision to increase the production of consumer goods at the expense of rearmament and industrialization. The significance of this change of policy cannot be overrated. It is much more important than the half-hearted conciliatory gestures made since Stalin's death in the sphere of foreign policy. Until recently the increase of the productive capacity of steel, for instance, was proceeding in Communist-controlled countries at an alarming pace. There was reason to fear that within a relatively short time the U. S. S. R. and satellites would materially reduce the present superiority of the steel output of the U. S. A. and allies. No doubt the Communist efforts to that end will continue. But they are bound to slow down if the output of consumer goods is to be increased in accordance with Malenkov's announcement.

In order to offset the existing inflated purchasing power of the public in Russia and other Communist-controlled countries, the output of consumer goods would have to be increased very substantially. This may be found necessary in order to allay the discontent. The frequent repetition of monetary manipulations to cancel this purchasing power acted as a disincentive and discouraged productive effort. Hence the disappointing output which was freely admitted in recent public statements in various Communist countries. This, together with the recent riots, went a long way towards making the Communist leaders realize that they must pay more attention to economic laws.

With Elworthy & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Morton E. Lichtman has become associated with Elworthy & Co., 111 Sutter Street. He was formerly with Hannaford & Talbot and Stone & Youngberg.

Deposits of Savings Banks at New Peak

Richard A. Booth, President of the National Association of Mutual Savings Banks, reports a net increase of $112 million during July, bringing total deposits of 528 banks to $23,731 million. Savings banks mortgage holdings now exceed $12 billion.

According to Richard A. Booth, President of the National Association of Mutual Savings Banks and President, Springfield Institution for Savings, Springfield, Mass., deposits in the 528 mutual savings banks of the nation rose $112,000,000 during July, to reach a new record figure of $23,731,000,000. "This is 6% greater than the gain of $105,000,000 during July, 1952, and is the largest for any July since compilation of these figures began in 1947," Mr. Booth said. "During each month of 1953 to date except May, the increase in deposits has exceeded that of the same month in every one of the last six years. The total increase for the past 12 months has been $1,854,000,000 or 8.5%."

Richard A. Booth

The large gain in deposits reflects a continued steady inflow of new funds from savers. Both amounts deposited and withdrawn during July were the highest for any single month since 1947, with one exception—amounts deposited in January, 1953, exceeded the July figures. Both deposits and withdrawals were 9% higher than in July, 1952. It is significant, however, that deposits so substantially exceed withdrawals that it results in record deposit gains.

"The climate for savings," Mr. Booth said, "is, I firmly believe, more favorable than it has been for years. The spectre of inflation has faded, at least for the time being, so that the individual can have confidence in the continued purchasing power of his dollar. Current efforts to solve our economic problems are being made in Washington with courage and initiative. All of us should lend our support, for we all will benefit."

The savings banks during July reduced their high mid-year cash holdings by $61,000,000 in order to build up earning assets. Mortgage holdings rose $138,000,000 to reach a new peak of $12,100,000,000, or 45.6% of assets. Holdings of corporate and other securities also increased $50,000,000, and of U. S. Governments $15,000,000.

D'Assern Co. to Admit

D'Assern & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, will admit Bayard Walker to partnership Sept. 15.

Baker, Simonds Adds

(Special to The Financial Chronicle)

DETROIT, Mich.—Don E. Mackenzie and Warren H. Tipton have become connected with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Col. R. P. Campbell

Col. R. Potter Campbell, U. S. A. retired, passed away at the age of 61. He was formerly President of the investment firm of Campbell, Peterson & Co.

Continued from page 4

Investigation and Buying In Investment Banking

standing and reputation of the company in its trade circles.

Some smaller companies may be dependent on one or two men, and it is necesary to determine, if possible, whether there are younger men of ability in the company who will be able to take over in the future. Large companies can often survive extended periods of poor management but a small company can go broke pretty quickly under bad management. This management factor therefore makes it more difficult to appraise smaller companies.

An underwriter takes on a great responsibility when he agrees to sponsor the issuance of a company's securities, for not only does he assume the liabilities under the Securities Act of 1933 but also his reputation and success in business are determined by his ability to maintain investors' confidence.

Drafting Financing Plan

Assuming, therefore, that we would be willing to sponsor the securities of the company, the next matter to be considered with the company's officers is a plan of financing.

We would first discuss with the officers of the company whether the money to be raised should be through sale of debt obligations or through sale of stock, or some combination of the two. If it were decided to sell debt obligations, the next decision to be made must be whether they should be by mortgage bonds secured by a lien on all or part of the company's properties, by collateral trust bonds, by straight debenture obligations, or possibly by convertible debentures; also the length of the debt obligations —or whether they should be in serial maturity form. We would also consider whether or not a sinking fund or purchase fund should be provided to retire all or part of the debt prior to maturity.

If the money were to be raised by the sale of stock, we would discuss whether it should be in the form of straight preferred stock, convertible preferred stock or common stock and, if convertible preferred or common, whether or not the sale should be through preemptive rights issued to the existing common stockholders.

In investigating these matters with the company we would make a study of the company's capitalization and the relation of past and projected earnings to the various proposed issues of capital securities. We would also investigate the capital structures of high grade companies in the same and other industries, and compare the proposed capitalization plans of our company with those of the others. Although interest charges on debt, particularly under present corporate tax rates, are very much less than the dividend costs on equity securities, we must remember that debt has to be paid off out of income after taxes and that when the charge for serial maturities, sinking fund or other amortization of debt is also considered the total financial costs may be particularly burdensome in periods of poor business. We would counsel the company, therefore, to keep its debt at a reasonably low figure. What might be a light proportion of debt for one company or in one industry might be a very heavy proportion of debt in another, so a large degree of judgment is involved. Generally speaking, however, the heavy industries with substantial plant assets—such as utility companies —can afford to carry a much greater proportion of debt than can consumer goods industries, merchandising industries and the like.

We would also point out to the company that, where common stock capital can be raised on historically reasonable terms, common stock should be sold, as there are many times when it is not possible to raise common stock money except at bargain low prices. I might point out, however, that it is often difficult to persuade managements that they should raise common stock money —first because it appears on the surface to be more expensive, secondly because present tax rates (which recognize interest as a deduction before taxes) make the interest cost of debt borrowings very low, and thirdly because many managements feel that their own stock is underpriced in the market and will be selling substantially higher in the future.

Any plan of financing should, of course, provide not only for the company's current needs but also for its further needs into the foreseeable future. Thus, financing plans should be designed so that the company will not exhaust its borrowing power, or use up all its crown jewels, in the current operation.

Experience of Bell System

As a good example of the need for conserving borrowing power I would like to point out the American Telephone and Telegraph Company and its subsidiaries which I will refer to collectively as The Bell System.

Prior to World War II, the System had followed the policy of having about one-third of its capital in the form of debt and two-thirds in stock. With the end of the war, the System was faced with a tremendous demand for expanding its services and facilities which required raising a vast and unprecedented amount of money in order to finance the expansion program. As it turned out, the capital of the System increased by over $5\frac{1}{2}$ billion in the seven and one-half years from Jan. 1, 1946 to June 30, 1953, which is an average increase of approximately $750 million a year. Earnings retained in the business contributed approximately $320 million so that practically all this increase was derived from the sale of securities.

In order to obtain such vast amounts of needed capital, it was necessary to maintain the integrity of the common stock and the ability to sell it, which absolutely precluded excessive borrowing. The System, therefore, decided that a substantial portion of the total program would be obtained by the sale of convertible debenture issues which would carry conversion terms making their early conversion into common stock attractive and probable. As a result, in the seven and one-half years, the System has increased its debt by about $2\frac{1}{3}$ billion and its common stock and surplus by almost $3\frac{1}{3}$ billion, including the $320 million of retained earnings mentioned previously.

It would have been difficult if not impossible for the System to accomplish such a vast financing program if it had started in 1946 with a debt ratio of much more than the 31% which then existed or if it had not, during the period, raised a great deal of common stock capital through the sale of convertible securities which were soon converted into common stock. Actually, of the almost $2 billion of convertible securities issued during this period, all but about $230 million had been either converted or redeemed by June 30, 1953. Despite the large acquisition of common stock capital, the debt ratio has risen over the period so that today it is approximately 37%. At the end of 1948, before the attractive conversion features were fully effective, the debt ratio reached a high of 50.5% and since that time has been declining. The sound policy of the company is continuing as evidenced by the announcement last Thursday (Aug. 20) that a new offering of $625,000,000 convertible debentures would be voted on by stockholders on Oct. 14.

From the foregoing brief summary of the System's financing program, I trust that one can envisage the difficulties with which it would have been confronted had it started with a materially higher debt ratio or if it had permitted the attractiveness of its common stock to be diminished.

Protecting Borrower and Investor

In considering the various classes of securities which may be used for the raising of money, it is also necessary to consider what simplification of the capital structure can be accomplished which will provide the company greater ease, or increased flexibility in raising additional capital in the future. It is also necessary to study the terms which should be included in the mortgage or in the indenture relating to a debenture issue, or in an amendment to the company's charter in the case of a preferred stock issue, so that the new security may be made readily salable. Certain covenants in mortgages and bond indentures and in preferred stock provisions are desired by the purchasers of securities, and an investigation must be made to determine what covenants are needed for the sale of the security and, on the other hand, what covenants may later cause trouble not only for the issuer but also for the purchaser.

One of the important functions of the investment banker is to help determine bond and stock provisions that are fair for both issuer and purchaser, so as to give protection to the investor who is furnishing the money, and at the same time not to unduly restrict or hamper the company which is raising the new capital. It is the general opinion of my firm that if the company is a good company, and well managed, what is best for the company is also best for the holder of its debt or other senior securities and, therefore, that the less restrictive the covenants are, the better the obligation will be for the holder in the long run. There are a number of restrictive provisions, such as those that limit what the owners of the common stock may obtain from the company in the way of dividends or distributions, which will not hamper the company's operation as a whole.

On the other hand, provisions such as that the company cannot increase its funded debt unless net current assets amount to a certain dollar figure, or that future bond issues can be sold only if earnings are a certain number of times interest charges, are usually, in my opinion, bad covenants. Their effect is that the company is allowed to incur additional debt in periods of prosperity, when it should probably be selling equity securities, while in periods of adversity, when it cannot raise stock money, it is prohibited from selling bonds — thus preventing the company from raising any new capital to rehabilitate its properties or for working capital at a time when the company may need it most.

One further point to discuss in setting up the proper plan of financing is whether the securities should be sold to the public or sold privately. Here there must be considered the relative prices which would be received by the company, the relative provisions which would be needed in the bond indentures or for the stock, the relative costs and ease of completion of the transaction, and the relative time schedules needed under public versus private sale.

The "Paper" Work

After the financing plan has been decided upon, or in many cases along with the financing decisions which we have been talking about, come the mechanics of preparing the issue for the market and preparing the papers, etc.

If the issue is to be sold publicly under the Securities Act of 1933 it is necessary to prepare a registration statement, including a prospectus, or if the security is a railroad security or if the security is to be sold privately it is necessary to prepare a descriptive circular. In either event a description of the business and property of the company must be furnished and the terms of the security described. Also financial statements and schedules must be prepared.

The managing underwriter usually arranges to visit and inspect the plants of the company. This gives a chance for an on-the-spot investigation of the manufacturing processes, and also an opportunity to talk to officers and plant managers on the job. Conferences with the sales officers and sales managers are arranged. The company generally prepares a first draft of the description of its business and properties, and the managing underwriter reviews these statements with the company officials and makes suggestions as to the presentation of the facts. All underwriters must be extremely careful, since they as well as the company are responsible for the statements made in the registration statement, and must see that the statements are correct and that there are no omissions which might make the statement misleading.

Pricing the Securities

Now, as to pricing the securities.

When the security is registered and the circular is prepared, the work of the buying or analytical department is virtually completed, and the job is turned over to the syndicate or selling departments. However, all during the period of study and investigation it is necessary to be in touch with the selling department, as there is no use in preparing a security for the market which may be technically a good security but which is unpopular from a sales viewpoint. Furthermore the analytical or buying department usually makes studies of comparable securities to aid the selling department in the pricing of the securities. These figures are made up comparing the security to be sold with securities that have been sold in the past and for which a market exists. From statistics it is possible to get some idea of what the relative prices of the securities may be when other factors such as growth, stability in times of bad business, popularity of the industry, and management are considered.

I hope that, in this somewhat rambling talk, I have given you some idea of the work which the analytical and buying department of an investment banking firm is called upon to do. As I told you I would, I have touched only lightly on a number of items which actually require days or weeks of research and study. Perhaps the best way to continue the subject is to start now the question period and I shall be glad to try to answer any questions that you may have.

Continued from page 2

The Security I Like Best

way safety problem has been with us for a number of years but only now is gaining the publicity it deserves, in part at least, because of the fine work Markel Service is doing in the field. Because of this, American Fidelity & Casualty may draw business from sources which heretofore have not been insuring with the company. We believe that American Fidelity & Casualty could reasonably earn in excess of $4.75 per share in a normal year.

Considering the company's past and the prospects for its future growth, the common stock of American Fidelity & Casualty seems to us to be undervalued at current prices.

WILLIAM WITHERSPOON
320 N. Fourth Street, St. Louis 2, Mo.
Formerly Security Analyst,
Newhard, Cook & Co., St. Louis, Mo.

National Gypsum Co. Common Stock

It is difficult to choose one security from such a wide selection of attractive common stocks, but to fulfill this request I would select the common stock of the National Gypsum Company for at least five specific reasons: (1) An aggressive management; (2) An encouraging outlook for the building industry; (3) Low price-earning ratio; (4) High yield; (5) Good financial position.


William Witherspoon

The forward-looking and aggressive management of this, the second largest producer of gypsum building materials, is noted to be in sharp contrast to its largest rival. While the latter has been looking for an important downturn in business and therefore is fearful of expansion, National Gypsum Company has been acquiring smaller companies during all of these postwar years and as a result has been enjoying a larger and larger slice of this industry's business. This is reflected in a sales growth of almost four-fold since 1945. Estimated sales this year of nearly $120 million will be about 20% above the previous record of 1952.

Many economists look for some downturn in the building industry within the next year. Some of their arguments are, of course, logical, one being the diminished family formation. On the other hand, a rapidly expanding population through the high birth rate is enlarging the size of the average American family so that it is becoming cramped in present quarters. This is causing a demand for larger houses, and highlights the company's enlarged advertising program which is keyed to the trend of "add-a-room." Furthermore, industrial expansion for the development of public housing and the pressing need for additional school facilities also contribute to the stimulus injected into this prospering industry.

The company is in a high excess-profits tax bracket but, nevertheless, has reported earnings of $2.84 per share in 1952 as compared with earnings of $3.12 per share in 1951, and for the first six months of 1953 earnings have amounted to $1.41 per share. If the excess-profits tax had not been imposed during the first half of this year, earnings would have been about $1.85 per share. The EPT has been extended to the end of this year, but beginning in 1954 the company should enjoy a substantially easier tax load.

At current levels of slightly in excess of $20 per share, this stock is selling about seven times earnings and, based upon earnings ex the EPT, is selling at about five and one-half times earnings. Hence, there is a cushion this year that should not be overlooked nor even considered lightly.

The company is paying a dividend of $0.35 per quarter to yield almost 7% at current levels for the stock, plus a usual 2% stock dividend payable in December. Hence, while the stockholder is waiting for ultimate capital appreciation in reflection of the good current earnings and bright future outlook for the company, he is being well repaid for his patience.

A strong financial condition has been maintained by the company for many years. Working capital has grown from $12.49 million at the end of 1945 to $36.12 million at the end of 1952. Cash items at the end of last year totaled $15.93 million which was 2.8 times current liabilities, and total current assets of $41.74 million were 7.4 times current liabilities. An equity of $23.59 per share was indicated by this latest balance sheet.

The price of this common stock, like most of the issues in the building group, has held within narrow limits in recent years, having been confined within a price range of 23½-18½ in 1952, and 22⅞-20⅛ thus far in 1953. It might be some while before this group catches the fancy of the investing public and capital gains materialize to present investors in this issue. But, this appears to be a sound company with a forward-looking and aggressive management, and such a combination will not forever be disregarded. A substantial capital appreciation can be confidently expected as an ultimate goal. National Gypsum common is listed on the New York Stock Exchange.

"The Coming Decision on Farm Policy"

Guaranty Trust Company of New York, in its monthly publication, holds decision of wheat farmers to prefer price support under a marketing quota system indicates continuation of price supports of basic farm products.

Acceptance by the wheat farmers of marketing quotas on the 1954 crop in preference to foregoing Federal price support at 90% of parity gives a timely significance to "The Coming Decision on Farm Policy," according to the editorial which features the September issue of "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York. It is important that farmers, above all others, have the nature of the issue clearly in mind, the editorial states. Whether the decision is for or against rigid supports and controls, farmers will be surrendering one privilege in exchange for another. The more price protection, the less freedom of operation. They cannot have both, concludes "The Guaranty Survey."

The collective decision of the wheat farmers has been interpreted by defenders of the fixed-supports sytem as a repudiation of the Administration's desire to move away from close governmental controls on agricultural production, according to the bank publication. At the same time, opponents of fixed supports have criticized farmers for renouncing their traditional freedom of action.

"Actually, it seems doubtful that either of these broad interpretations can fairly be placed upon the farmers' vote. The wheat growers were not judging the wisdom or unwisdom of a governmental policy or its relation to their long-term welfare. They were not choosing between fixed and flexible price supports, or even between fixed supports and no supports at all as a long-term proposition. They were faced with a condition of acute oversupply which called for a sharp reduction of acreage.

"Unfortunately, the wheat situation is only the beginning of the problem of surpluses. Marketing quotas are already in effect on tobacco and peanuts. The carry-over of cotton is equivalent to about 43% of a normal crop, and this year's output is expected to be about 20% above the 10-year average," observed "The Guaranty Survey." "Corn is in somewhat the same position."

The bank publication referred to price-support situations in potatoes and dairy products. A grave complication affecting butter is the fact that this staple has been steadily losing competitively against margarine for many years. Like many other governmental practices, the present fixed price supports at 90% of parity began as a temporary device. Their purpose was to increase farm output quickly in response to the emergency needs of World War II. They were to have expired automatically after hostilities ended. Instead, they have been successively extended, always on a **temporary** basis, through 1954.

"It seems to be generally conceded that some system of price suports will be maintained," according to "The Guaranty Survey." "The real issue in the coming debate will probably be between fixed and flexible supports."

The pros and cons of fixed and flexible price supports were discussed in the editorial, which stressed one argument in favor of fixed suports to the effect that farmers are subject to exceptional risks and that their average financial resistance is low. Consequently, the system's defenders believe it is unfair to expose the farmer to the rigors of competition. Weather, insects and disease can raise havoc with agricultural output. The turn of the seasons limits the promptness with which production can be adjusted to demand. Prices of farm products are exceptionally variable.

Joseph Gassoun Joins Edwin L. Tatro Co.

Joseph H. Gassoun has become associated with Edwin L. Tatro Company, 50 Broadway, New York City, as manager of the public utilities trading department. Mr. Gassoun has recently been with McLaughlin, Reuss & Co. Prior thereto he was with Samuel Brothers and was manager of the public utility trading department for Holt, Rose & Troster.

Joins F. K. Justus, Jr.

(Special to THE FINANCIAL CHRONICLE)

SMITHVILLE, Mo. — Eldon R. Bell has become associated with Francis Krauss Justus, Jr. He was formerly with Arthur Fels Bond & Mortgage Co. and Uhlmann & Latshaw.

Harold S. Stovall

Harold S. Stovall, partner in Reynolds & Co., New York City, passed away Aug. 23.

Continued from page 3

A Perspective on the Bear Market in Bonds

ion for quite sometime that we are now undergoing a second major bear market in bonds—one that will prove somewhat comparable to that earlier one that extended from 1899 to 1920.

Thus it should be obvious to those of us in the financial community who have been blaming Washington recently for losses incurred in underwritings and purchase of bonds at higher price levels during the earlier months of this year, that the decline we are in cannot be laid at the door of the new Administration. This long-term bear market has been going on already for over seven years, and the Federal Reserve support-plugs under the government bond market were pulled out with dramatic effects over two years ago. What Mr. Humphrey inherited when he took office in January of this year was a bear market in bonds that had progressed far and had by then gained great momentum.

Causes of Fluctuations in In Bond Prices

The fundamental cause of these long-term major fluctuations in the cost of hiring money is generally believed to be changes in the balance between the demand for funds and the supply available for lending. This is something which is not limited to the United States, but prevails, and always has prevailed, in a general way throughout the entire free world. And, it might be noted, while the rhythm of these changes is not as regular as the tides, it is quite as inexorable and, once established, seems certain to run its course.

When I first began to wonder about our developing bear market in bonds, money was still plentiful, and the people of this country were putting by what seemed like adequate savings each year. Why, then, should the demand have so exceeded the supply as to cause interest rates to increase as radically as they have? It seemed to me then that one of the principal reasons why there might develop a relatively greater demand for money would be such a tremendous growth in confidence throughout the world in the future outlook for security and business as would require unusual new amounts of funds for housing and new plants. We had witnessed during the 1930's a tremendous flight of funds from the old world for safekeeping in this country. It was easy to see why capital should seek shelter here, with Hitler acquiring enormous strength in Central Europe and the outlook for peace becoming more and more hopeless. But in 1947 the Hitler menace was no more, while Stalin, the real evil genius of our century, had achieved far greater and more sinister power than Hitler ever enjoyed.

Perhaps the beginning of this new decline is bond prices was but a foreshadowing of the slowing down of the Communist juggernaut, a slowing down which by now we can see more clearly after the unexepcted jolt Red Imperialism received in Korea and the recent explosions of the slaves in East Germany and the satellite states. Certainly there has been a growing demand for money here and abroad and an actual tightening of rates due both to the needs of borrowers and to governmental curbs on the forces of inflation. If the confidence, of entrepreneurs and investors in the future is to increase even more, not only here but in fear stricken Europe as well, then we can see the possibilities of even further demands for money and, conversely, of lower prices for bonds in the next few years.

Over the very long term it may be interesting to note in passing that George Washington won his war at a cost of 8% money. Later Abraham Lincoln's government had to pay 6% during the Civil War; then the government under Woodrow Wilson borrowed at 4% in World War I, while finally Franklin Roosevelt financed World War II at as low as 2½% for long-term bonds. Eventually—we, or our children—should see even lower levels of interest than those of 1946 once a new long-term bull market in bonds gets well under way.

The Current Bear Market In Bonds

Is our current bear market in bonds over? I do not know—probably not; but no one knows for sure as yet. Our only precedent is in the 1899-1920 bear market, when in 21 years 60% of the preceding 42-year advance in bonds prices was canceled. True, the figures as given in the chart were only for corporate bonds. A similar study for municipal bond yields or for government bond yields might have shown a different retracement than the 60% for high-grade long-term railroad bonds. Nevertheless, this earlier experience might turn out to be a reasonably good one to keep in mind.

If it does work out that our bond market has not yet hit bottom and is to undergo eventually somewhere around a 60% retracement of the preceding 1920-46 bull market, what sort of yields would it offer when it reaches its final lows? Table I answers this question for four types of high-grade bonds and for a group of well known non-callable industrial preferred stocks, for all of which consecutive figues are available since the 1920 lows in the bond market. For example, as you can see from this tabulation, on a 60% retracements, Standard & Poor's average of long United States Government bonds would have to rise in yield to about 3.65% as compared with their present yield of 2.96%, while Aaa railroads bonds on the same basis would settle down to a price level corresponding to a 4¼% yield compared with one for 3.30% as of now.

Since the June lows, the bond market has had a breathing spell and a start of what might later prove to be a major rally. Whether or not this is to develop into a full-fledged rally, such as was experienced for about two years between early 1948 and early 1950, I do not know. For your convenience, Table II was worked out to show for the same type of high-grade securities as given in Table I, the boundaries that might be expected technically if the current minor rise does develop into such a rally — that is, one ranging between one-third and two-thirds of the preceding decline—a decline that began at the intermediate rally top of January, 1950. At the prices of last week, the preferred stock index had already reached the one-third level of such a recovery, while the other indexes in the tabulation had recovered only about one-sixth of the preceding decline. again your guess is as good as mine as to whether or not the present rally will continue. Personally, I think that it is quite probable that bond prices will work higher, with pauses and minor setbacks, for perhaps some months yet to come.

One consideration we should keep in mind is the statement made by Mr. Humphrey, Secretary of the Treasury, that one of the important tasks facing the Administration is to get a larger proportion of the Federal debt out of short-term and into long-term account. In this connection, you will note from my chart of bond yields over the past century that for over 75 years—from 1857 to 1931 — the dotted or short-term line is for the most part below the heavy or long-term bond line. In other words, short-term money rented at higher rates of interest than did long-term during most of this long period of time.

If you analyze Mr. Macaulay's data by months for the period from 1857 to 1931, you will discover that during this three-quarters of a century, well before political money management by the Federal government was developed to a high degree, the rates for short-term and long-term money fluctuated within quite wide extremes. During the 900 months of this period, commercial paper rates were higher in 657 months than were those for long-term high-grade railroad bonds—about 74% of the time—and on the average, short-term rates exceeded long-term rates by 171 basis points (1.71 percentage points in yield). This, on the other hand, was over two times as many basis points as those by which long-term rates exceeded short-term ones in the 236 months in which they were the higher.

There you have what actually happened during an extended period of our history when the American economy was relatively free from government manipulation and money was loaned by the world's savers in accordance with the supply of it available and the demand, on balance, for that supply. Investors generally then were willing to pay more for long-term contracts than for short-term ones in which the interest rate fluctuated relatively much more.

Effect of Treasury Refunding Operations

Thus it is not hard to see why the men who are responsible for the credit of our government and the buying power of our dollar, and who apparently do not intend to follow former Treasury policies of pegging the national debt at artificially high price levels, are looking for opportunities to re-

TABLE I

In Case a 50% Retracement of the 1920-1946 Bull Market Occurs in Money Rate Securities

INDEX	Avg. Matur. for Figuring of Prices (No. Years)	Bull Market 1920-1946 — 1920 Low — Yield	Price as 3s	1946 High — Yield	Price as 3s	Price Adv. in Points	A 60% Retracement Would Decline to — Price as 3s	To Yield	Decline So Far to June 1953 Lows — Yield	Price as 3s	Retracing 1920-46 Adv. by Points	or by %	Current Market (8-19-53) — Yield	Price as 3s
Standard & Poor's:														
Long U. S. Govt. Bonds	15	4.99%	79⅛	2.02%	112¾	33⅝	92¾	3.66%	3.15%	98¼	14½	43%	2.96%	100½
High-grade Municipal Bonds	20	5.34	72¼	1.44	126	53¾	93⅞	3.51	3.14	97⅞	28⅛	52	2.86	102⅛
Preferred Stocks	100	7.05	42⅞	3.42	87¾	44⅞	60¾	4.94	4.48	67	20¾	43	4.29	69⅞
Moody's Aaa Bonds:														
Railroads	30	5.98	58⅝	2.51	110⅜	51¾	79¼	4.23	3.49	90⅞	19½	38	3.30	94⅜
Utilities	30	6.82	51½	2.44	111⅞	60⅜	75⅝	4.49	3.43	92	19⅞	33	3.30	94⅜

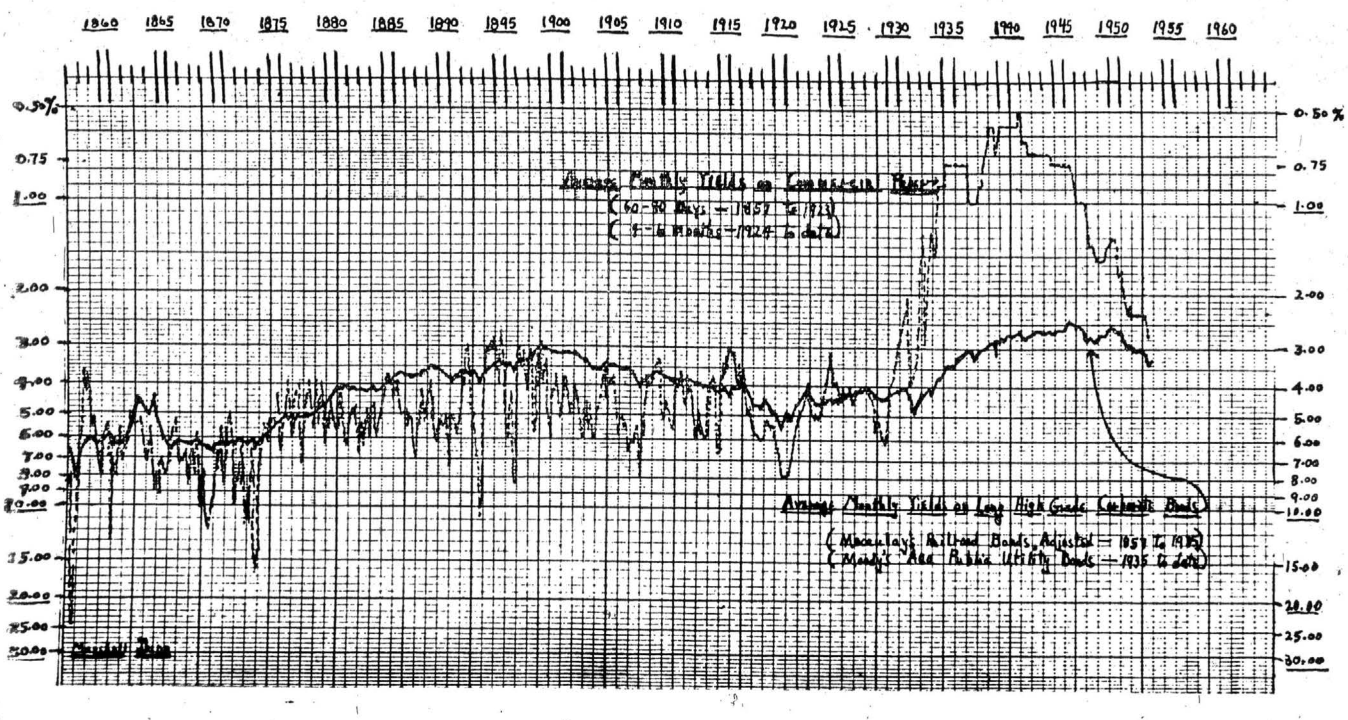
TABLE II

If Current Rally in Prime Bonds Retraces ⅓ to ⅔ of Preceding Decline (Since 1950 Intermediate Top)

INDEX—	Avg. Maturity for Figuring of Prices (No. Years)	Jan. 1950 Highs — Yield	Price as 3s	June 1953 Lows — Yield	Price as 3s	Resulting Price Decline	Resulting Replacement by ⅓ — Price as 3s	To Yield	½ — Price as 3s	To Yield	⅔ — Price as 3s	To Yield	Rally So Far (To 8-19-53) — Yield	Price as 3s
Standard & Poor's:														
Long U. S. Govt. Bonds	15	2.15%	110⅞	3.15%	98¼	12⅝	102½	2.79%	104½	2.64	106⅝	2.47%	2.96%	100½
High-grade Municipal Bonds	20	*1.59	124⅛	3.14	98	26⅛	106¾	2.57	111⅛	2.30	115⅜	2.06	2.86	102⅛
Pfd. Stocks (Non-Callable)	100	3.81	78¾	4.48	67	11¾	69⅞	4.29	72⅞	4.12	74⅞	4.01	4.29	69⅞
Moody's Aaa Bonds:														
Railroad	30	2.65	107¼	3.49	91	16¼	96¾	3.16	99	3.05	102½	2.87	3.30	94⅜
Utility	30	2.56	109¼	3.43	92	17¼	97¾	3.11	100⅝	2.97	103½	2.82	3.30	94⅜

*As of Jan. 1951.

Major Cyclical Moves In American Long and Short Term Interest Rates Since 1857



fund as much as possible into longer-term bonds. As long as such a policy prevails, the government bond market may face large long-term offerings. This in itself may be an important factor determining the extent both of the present price recovery and of whatever subsequent decline in bond prices we may undergo during a third and probably final phase of this now seven-year old long-term bear market in bonds.

The importance of this to us all is not hard to visualize. Remember that the more the cost of money, the higher is the interest rate and, therefore, the greater is the cost of starting and carrying on business in a modern credit economy. That is why an increase in the cost of borrowing acts as a restraining factor on the inflation that we developed during and after World War II. When over two years ago the officers of our Federal Reserve System quit buying Government bonds so as artificially to keep up their price levels at or about par and thereby permitted the entire bond market to settle down to where it belonged (the forces of demand for and supply of money being what they were at the time), our money managers took an orthodox and basically sound step to halt the persistent inflation that had been eating away at the soundness of the American dollar—our dollar, the measure of our savings, of our purchasing power, and of the stability and health of our national economy. Of such is the importance of the interest rate to us, the people of the United States, where debt has grown to overshadow equity in the wealth of the nation.

Thus it is that the costs of servicing our debt structure play a fundamental role in the economic well-being of our country. And as you well know, changes in interest rates exert an influence on the determination of the yields on the common stocks of even the greatest of our corporations.

Let us not forget that debt and the structure of interest rates have been the means whereby we have put to work the savings of countless persons and built up the industries of our country. Years ago when we were building our railroads across plain and mountain we drew heavily upon savers abroad, principally those in England and Holland. But today it is our own people who are loaning government and business the vast sums needed for military security and industrial and other construction. That is why the bond market, scarcely noticed and quite unsung, has always been, is now, and in some basic way always will be of importance to your welfare and to that of each and every American. We might think of it as the Gulf Stream of our economy, wide and deep, flowing ever outward from the warm tropical seas, and exerting continually its beneficent influence on the peoples living on the North Atlantic shores of the modern world.

National Bank Assets Show Slight Decline

Comptroller of the Currency Ray M. Gidney reports that on June 30, total assets of national banks amounted to more than $103 billion, a decline of about $227 million since April 20. National bank deposits, in same period, rose by $413 million.

Ray M. Gidney, Comptroller of the Currency reported that the total assets of national banks on June 30, 1953 amounted to more $103 billion.

Ray M. Gidney

The returns covered the 4,881 active national banks in the United States and possessions. The assets were $227 million below the amount reported by the 4,890 active banks on April 20, 1953, the date of the previous call, but were more than $2 billion over the aggregate reported by the 4,932 active banks as of June 30, 1952.

The deposits of the banks on June 30 this year were $94.7 billion, an increase of $413 million since April, and an increase of over $1.7 billion in the year. Included in the recent deposit figures were demand deposits of individuals, partnerships and corporations of $53.4 billion, which decreased $344 million, or nearly 1%, since April, and time deposits of individuals, partnerships and corporations of $22.3 billion, an increase of $404 million. Deposits of the United States Government of $2.5 billion increased $97 million since April; deposits of States and political sub-divisions of $6.6 billion showed an increase of $176 million; and deposits of banks amounted to $8.6 billion, an increase of $168 million since April. Postal savings were $13 million and certified and cashiers' checks, etc., were $1.3 billion.

Net loans and discounts on June 30, 1953 were $36.5 billion, a decrease of $29 million since April, but nearly $3.4 billion or 10% above the June 30 figure last year. Commercial and industrial loans as of the recent call date were $16.6 billion, a decrease of $211 million since April. Loans on real estate of $8.5 billion were up more than 1% in the period. All other loans, including consumer loans to individuals, loans to farmers, to brokers and dealers and others for the purpose of purchasing and carrying securities, and to banks, etc., amounted to $12 billion, an increase of nearly 1% since April, and 15% in the year. The percentage of loans and discounts to total assets on June 30, 1953 was 35.23 in comparison with 35.18 in April and 32.67 in June 1952.

Investments of the banks in United States Government obligations on June 30, 1953 aggregated $33 billion (including $24 million guaranteed obligations), a decrease of $422 million since April. These investment were 32% of total assets, compared to 34% in June a year ago. Other bonds, stocks and securities of $8.5 billion, which included obligations of States and political subdivisions of $6.2 billion, were $96 million less than in April, but $95 million more than held in June last year. The total securities held amounting to $41.5 billion was $1.5 billion, or 4% below the amount reported at the end of June 1952.

Cash of $1.3 billion reserve with Federal Reserve banks of $12.5 billion and balances with other banks (including cash items in process of collection) of $10.5 billion, a total of $24.3 billion, showed an increase of $363 million since April.

The capital stock of the banks on June 30, 1953 was $2.3 billion, including less than $6 million of preferred stock. Surplus was $3.4 billion, undivided profits $1.3 billion, and capital reserves $267 million, or a total of $4.9 billion. Total capital accounts of $17.2 billion, which were 7.64% of total deposits, were $61 million more than in April when they were 7.61% of total deposits.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The split offering by the Treasury of a one-year 2⅝% certificate and a three-and-one-half year 2⅞% note to refund the Sept. 15 maturity of 2% bonds was in line with what the financial district has been expecting. An offering of a longer-term security as part of the "basket" such as the 3¼s due 6/15/78-83 was pretty well ruled out of the picture about two weeks ago. There appears to be no doubt but what the refunding operation will be a successful one, because the securities being offered in exchange for the maturing issue are tailored to fit the demands of those that own the Sept. 2s. There is a one-year 2⅝% obligation for those that must have a short-term security. The 2⅞s due 3/15/57 will meet the needs of those that can use an intermediate-term obligation. The yield after taxes is also in line with those of the outstanding middle-term obligations. The amount of the 2⅞s that will be taken in exchange for the maturing 2s is a matter of conjecture but reports seem to indicate that the three-and-one-half year note is getting a very good reception.

$275 Billion Debt Ceiling Adequate

The holding of the debt limit at the $275 billion figure seems to have had a favorable effect upon the powers that are responsible for the Government's financial operations. Treasury Secretary Humphrey, although hedging his recent statement to a certain extent, does seem to convey the belief that it will be possible to get through the rest of the year without an increase in the debt ceiling. There will probably be enough leeway between the outstanding debt and the $275 billion limit to allow for a fair amount of tax anticipation bills or certificates being issued in the not too distant future, probably sometime next month. These funds would be available to the Treasury to meet current expenditure and would most likely be paid off when June 1954 taxes are collected.

The reported improvment in Government finances, which indicates that the deficit for the current fiscal year will be considerably under previous estimates, is looked upon as a favorable development. If this trend should continue, it should not have an adverse influence as far as the Government market is concerned.

Issues Involved in Tax Operations

Despite the fact that the center of the stage is being occupied by the September refunding operation, there are other things going on in the Government bond market, and the most prominent of these at the moment are the switches and swops that are being made, mainly for tax purposes. This kind of business has been and from all indications will continue to be important as far as volume and activity are concerned. Although nearly all maturities are involved in these exchanges, it is reported that the bulk of the swops made recently have been concerned largely with the longer-term obligations. It is indicated that the bank 2½s as well as the Vics have been the issues in which the main part of the selling has taken place.

On the other hand, it is reported that the other longer-term 2½s have been used as the replacements for the bonds which have been disposed of for tax purposes, with the 1964-69 and the 1965-70 maturities the favored issues on the buy side of these operations.

The presently outstanding intermediate-term obligations continue to receive attention, despite the offering of a three and one-half year 2⅞% note in the September refunding, because the attraction is still there in the form of the yield after taxes. The fact that comparatively short maturities can be bought at a discount is another feature that is favorable as far as these issues are concerned.

Money Conditions Eased

Although money is on the tight side, there have not been too many casualties yet as far as purchases of selected Government securities are concerned. It seems as though some of the tightness has been taken out of the picture at least temporarily by not replacing all of the Treasury bills as they come due. Corporations and other non-bank investors, however, continue to be among the principal buyers of the near-term issues even though the competition is as keen as ever from foreign banks and the larger deposit institutions for these securities. There have also been some instances reported where funds that have been in equity market have been put into Treasury bills and certificates.

Lagging Interest in 3¼% Issue

The 3¼s continue to move into what is considered to be permanent homes even though there does not appear to be as much interest around for this obligation as has been the case. It is indicated that the revival of corporate and municipal bond financing has taken quite a few buyers away from the longest Treasury issue. There are also reports that some of the 3¼s have been disposed of with the proceeds going mainly into corporate, state and municipal issues.

Reserve Cut Rumors Persist

Rumors continue to be circulated that there will be another cut in reserve requirements in the not too distant future. The demand for funds will be very substantial, according to those that believe a further downward revision in reserve requirement is coming, and the monetary authorities in order to take care of this condition will again cut the required reserves. Open market operations do not seem to be considered too important by those that are talking about downward revisions in reserve requirement.

Manley, Bennett Co. Admits Partners

DETROIT, Mich.—Henry G. Gildner and Richard A. Adrian have been admitted as general partners in the investment firm of Manley, Bennett & Company, Buhl Building, members of the New York, American and Detroit Stock Exchanges.

Mr. Gildner is well known on Griswold Street having entered the investment business in 1929 after graduating from University of Michigan and spending several years with the bond department of a local bank. He has been a registered representative of a N.Y.S.E. member firm for the ensuing 24 years.

Mr. Adrian, who will represent the firm as floor trader on the New York Stock Exchange, is a Georgetown College graduate and a former Naval Air Corps Lieutenant. He has been a member of the Exchange 3½ years since acquiring his father's membership which dates back to 1928. Manley Bennett & Company with a private direct wire to New York, maintain very close contact with Adrian at the Exchange.

Announcement was also made of the admission to the firm of Carroll V. Geran as a limited partner.

Cyrus B. Johnson With Guardian Securities

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cyrus B. Johnson has become associated with Guardian Securities Corporation. Mr. Johnson was formerly with Harris, Upham & Co. and Davies & Co. In the past he conducted his own investment business in San Francisco.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Sidney G. Lippitt, Jr. has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Hooker & Fay.

With King Merrittt Co.

(Special to THE FINANCIAL CHRONICLE)

FT. KENT, Maine—James I. Hoyt is with King Merritt & Co., Inc., of New York.

Thomson & McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Lawrence S. DeVos, Jr. is now connected with Thomson & McKinnon, Shoreland Building.

Continued from first page

As We See It

tional policies, but of actually taking a leading part in the formulation of such policies. It is bold sort of procedure, and one which certainly has not been common in this country, particularly in more recent decades. It could become a sort of coalition government at its best, although, of course, it must face all the hazards implicit in our form of "two-party" operation. But however all that may be, the President appears now to have completed his tasks of this sort, and meanwhile has given certain evidence of a strong predilection for certain lines of policy, some of them excellent, some of them less soundly conceived and some of them all too plainly concessions to politically popular notions.

Often Used as Dodges

Procedures closely if superficially similar to those now adopted by the President have been used since time out of mind to postpone or to evade action upon controversial or politically dangerous issues. They have been all too often popular means of ducking responsibility and of falling back comfortably into the easy chair of the small minded politician rather than occupying the more rigorous seat of the statesman. It must not be permitted to happen this time, and we prefer to think that the President has nothing of this sort in mind. He may be politically naive, and thus not realize how difficult it will be for some of these over-populated committees and commissions to function, particularly since they are composed of such disparate elements, but we hope he will demand that they get down to brass tacks. We hardly need add that there will be plenty of need for the much publicized Eisenhower charm and force. These groups, some of them formally appointed and organized, some of them proceeding on a more informal basis, are really being asked to formulate and recommend basic policies and programs for the Federal Government during the next few years!

Nor is this committee technique confined to the Executive branch of the government. Senator Capehart, for example, recently announced an oversized group to proceed with the financial aspects of our foreign policy (whatever that means) just as a Presidentially appointed group was beginning its study of the entire foreign policy of the Administration. Congressional committees have been at work on the problems of renovating our tax structure, and Treasury officials at the behest of the White House are working on these issues almost day and night. A Senate committee has recently retained a private research organization to look into the facts of the age old matter of the economics of the post office. And so the story goes.

It is vital that the President, the Congress, and all these bodies at work on public questions bear carefully and fully in mind that the time is not far distant when definite, basic decisions must be made, and the course of the Administration specifically formulated. When Congress reconvenes in January, a program of legislation covering many facets of our national life must be expedited. Next year is an election year. It will not do for the Republican party to face the voters next year empty handed, or anywhere near empty handed. The public has been patient. It has, by and large, realized that it would inevitably take time for the new Administration to get itself organized, formulate policies and show concrete results. It has been ready to adapt itself to temporary expedients designed to carry us over until the real work of the Administration could be gotten under way.

Different Next Year

But next year it may be quite different. Certainly continued delay or anything in the form of procrastination will provide the opposition with the very best sort of ammunition, and the general public with excellent reason to listen to Democratic party arguments. The Republican party and the President, as leader of it, simply must begin to show constructive results of major consequence early next year. This, of course, is much easier said than done. At no point perhaps will it be more difficult to formulate and put into actual practice a policy which will obtain broad support than in the field of foreign relations.

It is in this area that the so-called internationalists, and other elements usually accused of being isolationists, clash so bitterly. It is here that the President is rather fully committed to policies which are not to the liking of very influential elements in his own party. It is also in this area that some very real issues arise—issues which are in no sense political only. Here, too, it is difficult to see clearly what is wise and what is not. Free traders would abolish tariffs, and are quite insistent and noisy about it; and vested interests which have grown up naturally behind protectionism for many decades are equally insistent that "trade not aid" may well mean for them "aid not trade" in an aggravated form. Here also we find influential members of the Republican party, and one sometimes suspects, of the Democratic party, who would drastically reduce all forms of foreign aid whether or not our markets were opened to foreign manufacturers. All these elements are included in the recently appointed Presidential Commission to study these questions.

But there are many other fields where trouble enough may be expected. Farm policy, tax reform, anti-trust policy, and social security, to name but a few will be troublesome enough, but real results are essential.

Continued from first page

The Present Outlook for Securities

the challenging of difficult things are the great satisfactions of life!

New International Climate

The first thing that strikes me, in all of my analysis of the present situation, is the great change in the international climate. The armistice in Korea, standing alone, might be regarded as a mere incident in the long "cold" war. But it does not stand alone; and the things that stand with it all roll up into the same ball of wax. The only way to judge the significance of the armistice in Korea is to put it together with the death of Stalin, the reduction of retail prices for consumers' goods in Russia, the new emphasis on the production of peacetime goods in that country, the lifting of travel bans, the resumption of diplomatic relations with Yugoslavia, the unrest in Hungary, Czechoslovakia and East Germany, the reduced censorship of news in Moscow, rapid changes in the personnel of the Soviet Government, the Soviet amnesty for political prisoners, the little publicized revolts in North Korea, the gradual and almost clandestine resumption of trade between Eastern and Western Europe, and the attempt of Russia to look strong when economic and political weakness shines like a brilliant sun through the cracks in the Iron Curtain.

The complaint is heard that Western Europe is soft and overcredulous about Russia. I submit that Western Europe, is nearer, and more realistic. I submit, too, that the big fundamental trouble in Europe for years has been blocked trade lanes which are beginning to be reopened. These great political upheavals like the Russian Revolution, World War I, the ascendency of Hitler, World War II and the now cooling "cold" war are essentially of economic and social origin, not merely the nefarious work of a few evil men. Europeans know that if the natural trade lanes of Europe can be reopened, and goods and people can flow as natural geography inveterately dictates, all political problems can be solved and the razor edges of extreme ideologies will be dulled to live-and-let-live bluntness.

Here in America, most of us, and that includes you and me, are living in the afterglow of a counter-propaganda about Russia which, in the cool light of history will make modern cigarette and soap advertising look like high culture.

We just can't accept the truth of what is clearly before our eyes because we have convinced ourselves in advance that it just can't be thus.

Russia does not want war. She wants peace.

She has decided to buy it—at as good a price as possible. But buy it she will. She must.

We have out-produced her. We have out-prepared her. We have proved that our economy can "take" this cold or hot war stuff in stride; and she has proved to her own satisfaction that she just can't take it.

I don't know what her long-term aims are. Furthermore, I think it is silly to talk about long-term aims of governments except insofar as they are consistent with the geography and economics of the country. You know personalities change. In our lifetime Lenin, Mussolini, Hitler, Roosevelt and Stalin have died. Great changes can take place in a dictatorship like Russia just by virtue of changed personalities. Those changes can be infinitely greater than a transfer of power from one political party to another in America or in Britain.

And how do you prepare now to fight a war 15 years, 10 years, five years, or even three years from now? Will the planes, ships, guns, radar and even bombs of today be the planes, ships, guns, radar and even bombs of tomorrow? It is time for us to wake up and be realistic!

And we will! But it will take time. Our change in thinking will be gradual, even if it has not been prompt.

Collapse of Armament Program

What will happen then? Isn't it obvious. Isn't it inevitable? We are going to collapse a great deal of this uge rearmament program, and probably not as slowly as most of us think. A normal world police force will be much larger than the one we had before Korea, but nothing like as large as we have now.

Don't forget the domestic narrow partisan necessity for it. The people in our present government at Washington made some (it seems to me) rather rash promises last fall about balancing the budget and reducing taxes. They are embarrassed that they have not been able to deliver. There is only one way for them to deliver, and that is to cut rearmament costs!

So the one thing I see clearly from this look-out station viewing the economic and business forest is that we are going to spend less and less, not more and more, for rearmament. I will leave it to you to look at the individual trees of this forest, to the details of the thinning and the pruning. I will leave it to you to tell how all this will affect business, earnings, the FRB Index of Production and stock prices. My only comment is that there is some kind of an adjustment coming, and that something else will have to take up the slack of rearmament production if present business volumes are to be maintained.

I would warn you, at the same time, that peace seldom has been "bearish" in the past; and that war, even "cold" war, is a boon neither to business nor to national happiness. I would suggest, too, that if the normal geographical trade lanes of Europe and Asia can be reopened along their traditional lines, many of the problems which have led to the political and military unsettlement which has been continuous for the past 50 years, can be solved quickly and effectively and the world may be able to live in a less tense atmosphere than any of us here have experienced in our lifetime. My hunch is that we are facing a great period of world improvement and world economic expansion; but that we in America do face some kind of mild and selective domestic adjustment over the next year or so.

I have taken so much time to cover this all-important aspect of the present situation as to limit to mere outline some of the other thoughts in which you may be interested.

Changed Population

It seems to me that the one great fact in the domestic economy is the changed character of our population. This population makes the great American market, the biggest fact with which business has to contend. "Fortune Magazine" is publishing a series of most important and illuminating articles about it which I recommend to you as "must" reading.

Very briefly, our population and the population of the whole world is increasing at a much more rapid rate than at any time in our experience. Not only is it increasing, but it rapidly is becoming a middle class population, with ever thinning stratas of very rich and very poor. Moreover, it is becoming a small town and suburban population rather than a rural and big city population. Since 1947, population has increased by 15 million while the population of what might be called the suburbs has increased 17 million.

The present age content of the population is peculiar and significant. We are facing less rapid family formation for the next few years because there are so few people about to become of marriageable age. Births were slim in the depression years, and the depression babies, and there were few of them now are just about old enough to be married.

But offsetting that is something tremendously dynamic. The babies that were born in 1940 and subsequent years—and there never were so many of them—are bigger consumers every year. In 1960, there will be 40% more teenagers than in 1950. Up to the time a child is five to seven years old, it is not a very big factor in the economy, not much of a market; but these modern youngsters, by the time they get to be 10 or 12 years old, are almost as important as consumers as adults.

Just look at the way our markets are bound to expand these next few years because of the way the unit of population will consume more and more per capita! Some of you know what they already are doing in the school systems. Wait till they get a little older—and from now on more of them will be getting older each year. The great American market is, and always has been the dynamic thing in our economy, and it is something to enthuse about! It never looked better.

I was going to talk about personal debt, interest rates, profits and capital formation, but time does not allow.

Something, however, must be said about taxes. If I were a dictator, a benevolent one controlling the country without the nuisance of elections, I would run the government at a loss in times of bad or declining business, and at a huge profit in good times, I would cut taxes when business is bad, and I would increase taxe and run the government at a surplus, reducing debt, when business is good. That's what America ought to do. It would tend to stabilize cycles, and stop this ever-rising public debt.

But this country is a democracy where people vote, and where businessmen cry to high heaven on the matter of taxes. I doubt if the ideal ever will be realized except by fortunate accident.

I am not going to bring you much hope about a bid reduction in the aggregate government "take." If the Federal Government cuts expenses, as it well may as a result of an easier international situation, the State and Municipal Governments probably will go a long way in increasing taxes enough to take up the slack. A more complicated civilization seems to demand more and more from government, and I don't see any early end of this ever-increasing demand for services. You and I, and our neighbors, are demanding these things — and they have to be paid for.

Tax Reform on Way

Our present tax system unquestionably needs overhauling, at the Federal level, and so far as a better understanding of Federal, State and Municipal spheres of influence is concerned. Gradually this reform will come.

An attempt will be made to change the incidence of taxation, and to provide more so-called incentives, at the next session of the Congress. I would doubt if the aggregate tax "take" is reduced much unless personal incomes decline. We badly need the substitution of better taxes that produce more for worse taxes that produce less.

Two "bad" taxes are the excess profits tax and the excessively high tax on capital gains. The personal income tax system is too steeply graduated, tending to defeat its own purposes. My guess is that the reforms than can get through the various committees and Congress in the log-rolling system of legislation will be half-way and incomplete. Not enough of what bankers regard as "the right people" vote. Don't expect tax relief legislation to be very early next year, or to be too complete. It takes a lot of "log-rolling" and give and take to get a new tax system through the Congress.

The best thing I see in the tax outlook is the trend toward more and more self-supporting "public authorities." By this I mean toll roads, toll bridges, transit systems, and all that. This type of thing seems bound to spread. The Post Office ought to be run that way. A typical development is the transfer of the New York City Rapid Transit System from a municipal charge to a self-supporting authority. Mr. Beardsley Ruml seems to think there are many opportunities to do analogous things in the Federal Government. I suspect he is right.

Just remember this whole matter of a balanced budget and reduced taxes is not as simple as the campaign orators made it. That's not pleasant, but it is a fact.

A Production Forecast

Now let's get down to some more mundane things. You want me to stick out my neck, because it is not your necks that will get bruised. After 34 years of this, my neck is tough! It has been stepped on lots of time, and it may get stepped on now.

Sometime between now and the end of the year, I look for some month in which the FRB Index of Production will be somewhere between 215 and 220 against 243 in June and 232 in July. The drop would be greater but for the fact that 60% of the Index's content is consumers' goods.

I thing we have seen the high for the year in the Dow-Jones Industrial Share Average. Sometime between now and next June, it may go as low as 240 against last June's low of about 261. The high for next year, I think will be made in the second half year, not the first half.

All this talk about the Averages sounds a lot wiser and more helpful than it is. This is, and will continue to be, a highly selective market. That's because it is a sophisticated market dominated largely by informed and experienced investors rather than by an uninformed amateur public.

Rising Interest Rates

Interest rates, regardless of all the monkey business that will continue to be practiced in turning on and off the spigot of credit, will move higher over a period of years. From now till sometime next year, on the other hand, there will be a continuation of the present easiness. This uptrend in interest rates is a worldwide phenomena and it has considerably further to go. In buying bonds, try to stick to short maturities. The price of these low coupon rate long-term bonds can do you dirt—and will. The spread between short-term rates and long-term interest rates will narrow further until it disappears. Keep your maturities reasonably short, down to five to seven years, and avoid headaches and explanations.

Personal and instalment credit, in the aggregate, is not of dangerous proportions in relation to the present and prospective incomes of the people who have incurred it. The most dangerous sector, perhaps, is in the financing of the purchase of used automobiles at too high prices. Used car prices still are too high in relation to new car prices, and must and will come down. The worst thing wrong with the new car market is the surplus of overpriced used cars. I'm not too worried about personal credit, especially if I know the person.

Railroad Optimism

Railroad earnings will be amazingly well maintained if traffic drops a little, due to the better cost controls of the excellent managements which now are handling the country's transport system. Most railroad bonds are better than you think.

Utility company earnings will improve further as the new plant now building and recently put in place comes into use. The industry is not yet enjoying the full fruits of recent financing, but it is paying the charges on the new money raised.

Industrial company earnings over the near term will trend downward, but only the dividends of marginal companies are endangered. Next year's dividends paid by all corporations will be nearly as large as, if not a little larger than, the dividends paid last year. Look out for the marginal companies. Competition is to the strong.

Investors are overestimating the increased earnings that will result from elimination of the Excess Profits Tax. Much of this saving will be passed on to consumers in a more competitive market. Industry always is finding new ways to get around the Excess Profits Tax, or any other unwise tax. I doubt if excess profits tax relief should be a market factor in many stocks.

The turnover in common stock ownership, measured by New York Stock Exchange activity, permanently is slower, much slower, than formerly. It is, however, abnormally low and will increase, particularly if the capital gains tax is reduced to a point where it becomes a revenue producer instead of merely a regulative penalty to cause people to hold stocks longer.

I'm afraid this talk went up like a rocket and came down like a stick, because the best part of it is at the beginning and the least important part is at the end; but if the neck-sticking-out part of it had come first, none of you would have stayed to hear that best part that I made you sit through till I got around to sticking out my neck.

Please remember that no one knows as much as I have appeared to know today. After all, I am not one in authority. I am only one of the scribes.

Kuhn, Loeb Places Equip. Tr. Ctfs.

General American Transportation Corp. announced Sept. 1 that it has sold through Kuhn, Loeb & Co. to a small group of institutional investors, $6,459,375 principal amount of equipment trust certificates, series 52. Of the total, $3,250,000 principal amount was delivered on June 1, 1953 and the balance of $3,209,375 principal amount on Sept. 1, 1953. The certificates bear dividends at the rate of 3.80% and will mature serially in quarterly installments to and including June 1, 1973.

The equipment covered by the trust consists of 831 new tank cars and two new hopper cars.

Paul J. Koughan With Egerton, Lofgren Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Paul J. Koughan has become associated wtih Edgerton, Lofgren & Co., 609 South Grand Avenue. He was formerly an officer of Income Estates of America, Inc. and Cantor, Fitzgerald & Co., Inc.

C. W. Gerlach With The Marshall Company

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Chas. W. Gerlach has become associated with the Marshall Company, 765 North Water Street. Mr. Gerlach for many years conducted his own investment business in Milwaukee.

Now R. A. Wildenberg Co.

BEVERLY HILLS, Calif.—The firm name of Wildenberg-Ross & Co., 450 North Camden Drive, has been changed to R. A. Wildenberg & Co., following the withdrawal of Stanley L. Ross.

With La Montagne-Sherw'd

(Special to The Financial Chronicle)

PALO ALTO, Calif. — Clifford D. Barnes has become affiliated with La Montagne-Sherwood & Co., 418 Waverley Street.

Form Thos. Joyce Assoc.

CHICAGO, Ill. — Thomas F. Joyce & Associates have opened offices at 520 North Michigan Avenue to engage in a securities business.

With McCoy & Willard

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert J. Bonner is now with McCoy & Willard, 30 Federal Street.

With Paine, Webber Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Robert T. P. Metcalf is now with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Joins Prescott Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Irwin S. Payton has become associated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

Bernard L. Mensch

Bernard L. Mensch, members of the New York Stock Exchange, passed away on Aug. 21.

Public Utility Securities

By OWEN ELY

Minnesota Power & Light Company

Minnesota Power & Light Company, with consolidated annual revenues of $20 million, serves the central and northern parts of eastern Minnesota, including the city of Duluth. Its subsidiary, Superior Water, Light & Power, serves Superior, Wisconsin, and the adjacent area. Population in the system areas is about 315,000.

Iron mining is the principal industry. The Mesabi, Vermilion and Cuyuna iron ranges, which produce about two-thirds of the nation's iron ore, provide nearly a third of the company's electric revenues. The remaining industrial business is well diversified, including the manufacture of cement, paper and other wood products, flour and refrigerators, dairying, grain storage, coal and ore docks. There is also an extensive resort business in the area.

In 1952, hydro generation provided some 57% output, and steam generation 43%. However, rated hydro capacity is about 41%, and steam 59%, of the installed capacity of 259,000 kw. Present capacity seems ample in relation to the peak load of 217,000 kw. in 1952. However, the company is sharply expanding its steam capacity, the first of two 44,000 kw. units at the big new Aurora plant having been placed in trial operation late in April, while the second unit was scheduled for operation late in July. Operation of these new plants should make it unnecessary to operate a number of very small obsolete units both steam and hydro. The Aurora plant, where a large taconite development is under way (see below), is designed for an ultimate capacity of 200,000 kw.

The construction program of 1950-53 has thus far been financed through a moderate increase in funded debt together with depreciation and retained earnings (dividend payout is relatively low). No equity financing appears likely in the immediate future, but would seem to be a possibility next year. Capitalization as of Dec. 31, 1952 was approximately as follows:

Long-Term Debt	$46,400,000	57%
Preferred Stock	11,600,000	14
Common Stock Equity	24,100,000	29
	$82,100,000	100%

Minnesota Power & Light has been selling recently at 39¼, which is almost exactly ten times the latest reported share earnings of $3.93 for the 12 months ended July 31, 1953. This low multiple of earnings is also characteristic of Montana Power Company, which derives a substantial part of its revenues from Anaconda Copper. Empire District Electric, serving the tri-state zinc-lead area, also sells at only a little over ten times earnings. Evidently investors fear that the electric business contributed by mining companies is a cyclical element in the earnings of these utilities. However, in the case of Minnesota Power & Light it may be pointed out that in 1952, despite the long-drawn-out steel strike (and its substantial effects on the general economy) share earnings were $3.27, slightly larger than those of 1951.

Investors may also have been somewhat apprehensive over the dwindling reserves of high-grade iron ore in the Mesabi and neighboring ranges. However, these reserves are still substantial and there are also enormous amounts of low-grade ore called taconite. Until recent years, it was doubted whether these refractory low-grade ore reserves could be profitably mined, but in the past year or so some of the big steel companies have made definite plans to spend many millions of dollars on this program. The company's 1952 report to stockholders stated:

"The mining companies seem to mean business about developing Minnesota's low-grade iron ore of which there is an almost unlimited supply. Plants to process taconite from this low-grade ore are being constructed by the Reserve Mining Company at Babbitt and Beaver Bay, by the Erie Mining Company of Aurora, and by the Oliver Iron Mining Division, United States Steel Corporation, at Mountain Iron.

"The Reserve Mining Company's taconite pilot plant at Babbitt has been in operation for six months and construction of its major processing plant at Beaver Bay is progressing satisfactorily. The Erie Mining Company has increased the output of its Aurora pilot plant and has begun construction of a commercial taconite plant north of Aurora, Minnesota. The Oliver Iron Mining Division, United States Steel Corporation, will complete soon a taconite pilot plant near Mountain Iron, Minnesota, which will have an annual production of 500,000 tons of concentrate.

"These taconite developments are creating much construction employment and will when in operation require a working force substantially larger than is required for the present methods of producing iron ore. The company is already getting some benefit from the added residential and commercial business."

The partial refining of taconite into pellet form will, it is understood, require large amounts of electric power. This power may in some instances be supplied by Minnesota Power & Light and in other cases the company may collaborate with the steel companies in the construction and/or operation of industrial power plants to handle the job. In any event the development of the taconite reserves will probably fully offset any decline in the mining of high-grade reserves, so far as the utility company's revenues and earnings are concerned.

The company's financial record over the past decade is summarized in the accompanying table. Stockholders will vote Oct. 1 on a proposed 2-for-1 split of the common stock.

		Common Stock Record		
	Revenues	Consol. Earns.	Divs. Paid	Approximate Range
1952	$20,000,000	$3.29	$2.20	40½-34
1951	19,000,000	3.27	2.20	39 -32½
1950	18,000,000	3.38	2.20	35½-30
1949	16,000,000	3.91	2.20	34½-27½
1948	15,000,000	3.12	2.20	29½-22
1947	13,000,000	3.40	2.20	27½-31
1946	11,000,000	2.88	0.39	-- --
1945	10,000,000	1.97	0.19	-- --
1944	9,000,000	*1.79	---	-- --
1943	9,000,000	*2.25	---	-- --

*Parent company.

Joins Perkins Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Warren R. Jacobson is now associated with Perkins & Co., Inc., 31 Milk St.

Mutual Funds

By ROBERT R. RICH

THERE IS evidence that the present market is characterized, at least, to a large extent, by emotion, which can reverse itself when account is taken of the constructive features of the present market situation, D. Moreau Barringer of Delaware Fund reported in his Directors' letter this week.

"I believe," Mr. Barringer stated, "that the country is in a disillusioned and pessimistic frame of mind, which stems in part from the emotional shock of the completion of the country's first war without a victory. This fact alone is enough to tarnish some of the glamor of the new 'businessman's' Administration.

"Add to it the weakening adherence of our allies, the loss of American prestige throughout the world, and the fact that the Russian H-bomb exists, and the combination is quite enough to give the country an unreasonably 'blue Monday' outlook.

"This outlook," Mr. Barringer commented, "is causing people to disregard the current statements of excellent earnings, the widening contrast between yields obtainable on common stocks and other securities, and the continuing high level of forward orders, and even of capital expansion plans of corporations.

"Fear that the budget-balancing of the Administration will reduce government expenditures takes no note of the fact that the Russian H-bomb almost guarantees a record level of defense expenses; nor of the quite obvious fact stated by Secretary Humphrey that a dollar spent by the government cannot be as wisely or as satisfactorily spent as that same dollar left in private hands to be spent for private ends.

"That there is a 'stickiness' in the first and second-hand automobile markets cannot be denied; nor that railroad loadings are unlikely to exceed the 1953 level by any considerable margin, and may well be lower in 1954. But in the days before the counter-depression economics of the '30s, it was not considered necessary to have continuous inflation and continuous shortages in order to have good times. The entire decade of the 1920's was characterized by plenty of automobiles, and intensive dealers' efforts to sell them —and yet we nostalgically look at the '20s as the best business era of our generation.

"In short, we at Delaware Fund don't share the present pessimism, though we can't predict where it may carry the market before it evaporates."

HUGH W. LONG & Co., Inc., sponsors of mutual funds, has issued a revised version of its popular "George and John" folder, which compares George's family security program based on a 15-year endowment insurance policy with John's program based on term insurance combined with regular purchases of shares of Fundamental Investors.

Each was assumed to be age 35 at the start of his program and able to save $1,200 a year. After 15 years George had $18,613 while John had an investment worth $42,863.

In the revised folder comparisons are given for a 15-year span. Since its introduction more than 100,000 copies of the "George and John" folder have been used by dealers to discuss the place of mutual funds in family financial plans.

THE ASSET value of Knickerbocker Fund adjusted for capital changes declined only 4.1% from the beginning of the year to Sept. 1, which is less than one-third the decline in the usually accepted market averages.

This performance was a result of a reduction in equities to under 50% of assets in the first quarter.

In his report to shareholders of the Fund in August, Karl D. Pettit, President, stated: "Due to the cautious policy of your investment adviser during the past months of readjustment your Fund is in a position to take advantage of new investment opportunities during the transition period. Such a period is no time for investment complacency, but rather a time when alert professional management should again prove its worth."

OPEN-END REPORTS

AN INCREASE of $7,430,201 or 33% in total net assets was recorded by Television-Electronics Fund in the twelve months ended July 31, 1953, according to its report for its fiscal third quarter.

The increase boosted net assets to a total of $26,864,149 on July 31, last, from $19,433,948 twelve months previously. The report attributed the increase to appreciation in asset value and sale of new shares.

During the twelve month period, net asset value increased to $13.66 per share from $13.40 per share on July 31, 1952.

The report listed 72 common stocks and two convertible preferreds in the portfolio and all represented investments in television, radio and electronics companies, or in companies within the various branches of the electronics field. These securities had a market value at the close of the fiscal period of $24,157,775. The remainder of the total assets was in governments and cash. During the third fiscal quarter, the Fund reduced its investment in stock equities from 97.5% of total net assets to 89.9%.

THE ANNUAL report of Delaware Fund for 1952 drew an award from "Financial World Magazine" for the excellence of its makeup and presentation.

PERSONAL PROGRESS

THE APPOINTMENT of James P. Schellenger, a member of the Philadelphia Bar, to the executive staff of the management of Delaware Fund was announced by W. Linton Nelson, president of the Fund.

Mr. Schellenger's appointment, according to Mr. Nelson, will enable the management to broaden its services to dealers especially in the field of trust work where the mutual fund industry is becoming an increasingly important factor.

"The addition of Mr. Schellenger to our staff," Mr. Nelson said, "will enable Delaware Fund to give its dealers more assistance in the preparation of revocable and irrevocable deeds of trust and in the establishment of employee retirement programs, payroll deduction plans and executive deferred pay plans."

Mr. Schellenger is a resident of Oreland, Pa. During World War II he was an officer in the Navy and

Group Securities' Economist Terms 'Average' Common Stock Under-priced

"Some further business adjustments seem inevitable, yet the average common stock in the current market appears to be considerably more attractively priced than the averages, and is 'underpriced' relative to the overall business picture," Harold X. Schreder, New York economist, declared in an address last week to the graduating class of the Central States Banking School at the University of Wisconsin in Madison, Wisconsin.

Harold X. Schreder

"In fact, selected stocks appear to offer more attractive investment opportunities, income and risk considered, than bonds, real estate or commodities," Mr. Schreder stated.

"An analysis I recently conducted of all common stocks on the New York Stock Exchange showed that on June 9, 1953 (a) 81% of the individual stocks were below their 1951 highs; the average decline of all stocks was 15.6%, with hundreds of issues down 20% to 50%; (b) 72% of the individual stocks were below their 1946 highs. Yet, all the major business indicators have been recording new peaks substantially above their 1946 or 1951 levels.

"From now on, the burden of proof for continued prosperity has shifted to the consumer—you and me. With developing 'free markets,' Mr. Eisenhower is giving us this responsibility and current indications are that we can and will accept the challenge. Personal purchasing power is at an all-time high and for the past two years spending for consumer's goods has been disproportionately low to income."

Mr. Schreder cautioned that to insure prosperity, business men must refrain from building up inventories unduly, and the Government must make the anticipated tax reductions—vital in his opinion to a continued smooth rolling adjustment in the economy.

"Current indications point to a downward adjustment of about 10% in sales over the next 18 months. For the average corporation, this might mean a decline of around 20% in pre-tax earnings. With scheduled corporate tax reductions in 1954, however, the average corporation's net income would be about the same as now! And many corporations could maintain the same net earnings despite a 40% decline in pre-tax earnings.

"While patience may well be required of today's investor before the currently attractive investment opportunities prove themselves, no matter how viewed —whether from the viewpoint of earnings, dividends or assets—selected common stocks offer good values."

Mr. Schreder advised purchase of stocks of companies which sell to the rapidly growing total population. He favored the soft goods industries such as the tobaccos, food chains, dairies, soft drinks, banking and biscuit, along with the service type industries such as auto parts, banks, communications, utilities, transportation, and retail trade.

Mr. Schreder is Executive Vice-President and Director of Research of Group Securities, Inc.

saw service in the South and Central Pacific. He is a graduate of the Wharton School and of the Law School of the University of Pennsylvania.

IN A LETTER to stockholders accompanying third quarter dividends, the management of Group Securities, Inc., finds "some heartening indications that this quarter many well have marked the beginning of an era—or at the very least of an interval—of lessening international tensions, accompanied by some expansion of world trade. The quarter's news supplied evidence of internal weaknesses and discords behind the Iron Curtain—the truce in Korea was but one of many examples—which have greatly lessened the fears that a third World War might be imminent. The markets for securities and the newly freed markets for many commodities begin to reflect such a change in outlook.

"The change has been gradual and should continue to be relatively smooth. Our military expenditures will necessarily remain high but the present outlook is for some relaxation or 'stretchout' in spending which should permit the scheduled reductions next year in present tax rates. Such reductions in military spending and taxes would represent a very significant step toward sound prosperity and create a more favorable climate for investors."

Savings and Loan Units Add to Mtge. Holdings

More than 500,000 loans, aggregating $3,751 million, were made in first half of current year.

Savings and loan associations made more than 500,000 mortgage loans for a total dollar amount of $3,751 million in mortgages of all types during the first six months of this year, according to the National Savings and Loan League in Washington, D. C. With more than $21 billion in their accounts, it is estimated that savings and loan associations now have an average $113 of savings for each of the 160,000,000 people in the United States.

The nation's 6,000 savings and loan associations had a net savings inflow of slightly more than a half billion dollars during the month of June alone it is reported.

These institutions throughout the nation recorded a record net increase in savings accounts of more than $1,935 million during the first six months of this year. This is 23.8% greater than the previous first six months record of 1952, when the net inflow was $1,562 million. Of the total of $9,595 million in mortgage recordings on residential, one-to-four family homes during the first six months of this year, savings and loan associations accounted for 37%, or $3,550 million worth, the National Savings and Loan League announces.

Securities Salesman's Corner

By JOHN DUTTON

Tape Watchers

Should you be aware that during the past 60 days the stock market has been steadily moving southward again, this little piece won't be out of order at this time. Every so often we run into markets that go down for a while—or they go sideways—or they go up—this has been going on for quite a spell. In fact, as far as I can remember, and long before that, the market has either been going up, down, or sideways. When it goes up there is a feeling of complacency, of well being, all around. Those who buy and sell securities as dealers, and at wholesale, do so with a feeling of security. They have confidence in their bids, take on positions, talk boldly and sell strongly. The buyers (the investing public I mean) do the same. They look for "hope"—they inquire for likely looking opportunities — they add to their holdings—and joy is in the land. This is a nice period for everyone. Brokers make money — salesmen look good to their customers — and customers think they are pretty smart too. Everyone is happy.

Then Comes the Cold and the Storm

After several years of this pleasant state of well-being, things stop going up. Not only stocks — other things too — commodities—automobiles—television sets — coal — wages (maybe not wages) and you know what happens. They say the psychology has changed. That's the proper word for it alright. Instead of willing and happy bidders we now have unwilling and timid bidders. Those who bought good investments at higher prices don't want more of them at lower prices. The salesman doesn't look like God to his customers anymore—but if he only knew it, he never did any way.

What to Do

The first thing any good salesman should do when he runs into this entirely normal period of recessive security prices is to lose his perspective. He should forget entirely that lower markets are normal—that other periods just like the one in progress have come and gone, and that good investments came through with consistent dividends and steady growth which they will do again. He should allow himself to take the short view. When a customer is discouraged and says he's through with stocks and bonds, he should sympathize with him and by all means believe him.

After he has listened to several such conversations he should walk over to any of his friends who are customer's representatives and he should sit down with them and say, "What's Good?" That should be enough to prime the pump. Those fellows whose job it is to sit all day long and watch the ticker tape slowly grind away, have been right up in the front row. They have had a ringside seat. (Quite frankly, I think it is a very much more difficult task for a customer's representative to keep his perspective than any one else in the business.) Then he should listen to the real blues. By the time this conversation has ended our hero should be ready to go out and take in a movie, get good and drunk, or vote New Deal in the next election.

One thing sure—he won't be in any mental state to analyze a list of securities—meet some new prospective clients—plan a sales campaign for this fall and winter—or make a sound switch or two. In fact, he won't even be in a good mood to eat dinner.

Cultivate Investors

In your town—in my town—all over the land there are people who today do not have sufficient income on which to live as well as they might desire. They don't loaf in board-rooms, they don't read the financial pages and break out in a cold sweat if the Dow-Jones goes down from 270 to 260, or even 220 for that matter. They now have the bulk of their savings in low income-producing 2% to 2½%-investments and the only reason it is there is that no one has come along and explained to them that they can make one dollar do the work of two and three dollars when it come to putting bread on the table. These are the people that we should cultivate in the securities business. We should advertise in their direction. **We should sell income,** because today that is the only thing that anyone can eat and sleep on in this topsy-turvy, inflation-deflation world of ours.

This market will go down, it will go up again, it will be dull and quiet and it will boil with activity. It has been doing that for years. So what? Speculators will come and go—they have a right to their place in the sun and their ulcers. But in my book I am looking for the fellow who says, "I want my dividend checks—I don't care whether they go up or down—I am not speculating on the market — it's 'grits' I want when I invest in securities." There are plenty of them in your town but you won't find them sitting around worrying about the stock market.

Railroad Securities

Great Northern

Favorable earnings comparisons and dividend increases continue as the order of the day in the railroad group. Just as consistently the market continues to ignore such developments and railroad shares remain under pressure. In the past few weeks **Illinois Central** has raised its regular rate from $4.00 to $5.00 annually, **Denver & Rio Grande Western** authorized two quarterly payments of $2.00 a share each, compared with $1.00 previously, to be followed by a stock dividend of 50%, and **Minneapolis & St. Louis** increased its regular quarterly distribution from $0.25 to $0.30 a share, with an extra of $0.20. Obviously, however, public pessimism continues as a more potent market influence than management optimism.

It is the opinion among analysts that all of the favorable 1953 dividend news has not as yet been released. One stock fairly widely considered as a candidate for more liberal treatment this year, either in an increase in the regular rate or through a year-end extra, is that of **Great Northern.** Even before the recent poor action of the rails as a whole this particular stock had been laggard. With the recent decline in price in sympathy with the general trend, the stock is now selling at just about five times earnings for the 12 months through June 1953, and to yield 7.8% on the present regular dividend of $4.00 a share annually. Even if this rate is not to be liberalized during the balance of the current year the stock would appear as an outstandingly attractive investment around these levels.

Great Northern has traditionally been considered among the soundest of the railroad group. It has long been a highly efficient operation, with a profit margin that in normal times is consistently wider than that of the Class I carriers as a whole. There has certainly not been anything in the past few years to change the company's status in this respect. Last year its transportation ratio was 33.4% compared with 36.9% for all Class I railroads, and the year-to-year improvement in the first half of 1953 was wider than that of the industry. Similarly, the road's profit margin last year of 17.1% was more than a point wider than that of Class I railroads as a whole.

Great Northern was one of the first of the railroads that did not go through bankruptcy to recognize the necessity during good times of reducing the burden of debt and fixed charges. In this respect the management has done an outstanding job. Charges are now at the rate of roundly $8.1 million annually compared with between $19 million and $20 million supported in the depression of the 1930s. A final favorable facet of the Great Northern picture is the trend of traffic, and the indications of the continued opening up of new traffic sources. Expansion in the Pacific Northwest has been a particular boon. Government hydro-electric projects have attracted much industry to the area, and the aluminum industry as one outstanding example is still planning further expansion. Also in connection with the power projects, millions of acres of new irrigated farm lands are being opened up. Thus this formerly sparsely populated area should from here on be productive of expanding freight tonnage.

Share earnings on the Great Northern stock over the past 10 years have averaged $7.95 and last year came to $9.10. The traffic level during the current year to date has been good and the company further benefited from unusually good weather during the winter and spring months. As a result, earnings on the one class of stock outstanding rose to $3.90 for the seven months through July compared with $2.32 reported a year earlier. Seasonally, Great Northern normally accrues the bulk of its earnings in the second half of the year and 1953 presumably will be no exception. It is expected in many quarters that the road's net income this year may establish a new all-time peak and that share earnings could top $11.50. Such an estimate, in turn, supports the hopes of more liberal dividend policies.

A. G. Edwards & Sons Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Mrs. Mary C. O'Brien has been added to the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

With Blyth & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — George A. McFaul, Jr. has become connected with Blyth & Co., Inc., Pacific Building.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

GENESEO, Ill. — Ace C. Olds has joined the staff of King Merrite & Co., Inc. of New York.

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The State of Trade and Industry

in the first six months reached $8,100,000,000, about $50,000,000 above 1952. But this included $2,000,000,000 of aid deliveries, compared with $782,000,000 in the first six months of 1952.

Federal deficits for the current fiscal year ending next June are going to be less than either Truman or Eisenhower expected. Revised budget estimates, it is reported, indicate $3,800,000,000 in red ink. Mr. Truman last January predicted $9,900,000,000; President Eisenhower in May forecast $6,600,000,000.

United States tax collections in the 1953 fiscal year ended last June 30 hit a new high of about $69,700,000,000, Revenue Commissioner Andrews reported. The total was $4,700,000,000, or 7.2% above the 1952 record. Individual income and employment taxes yielded the highest revenue and also accounted for most of the increase. They totaled $37,200,000,000, up $3,500,000,000 from the previous fiscal year. Corporate taxes were the second largest source of income, bringing in $21,600,000,000. This group showed the smallest percentage rise in the year.

Steel Output Scheduled at 95.4% of Capacity In Present Week

The steel buyer's position is getting stronger all the time, says "Steel," the weekly magazine of metalworking, the current week. You can see that from the continued easing in demand for steel, a decline in steel output and a downward break in prices of steelmaking scrap, it observes.

Demand is easing, it continues, because users think their steel needs will be less urgent than they were. The rate of steel output is slipping off largely because producers feel less urgency in demand. In the face of those situations the prices of scrap, one of the important raw materials used in making steel, are taking a nosedive. Not only does this drop in scrap prices reflect current conditions but it may foretell something of the future, since scrap is historically a bellwether of business conditions in the steel industry, this trade journal notes. What happens to scrap often happens to steel several months later. Last April, scrap prices dropped markedly. Now on every hand there's evidence of an easing in steel demand. The newest drop in scrap prices suggests a continuation of the easing in steel demand and production, it adds.

A drop now in the percentage rate of steel production actually constitutes a greater lack of use of steelmaking facilities than is displayed by the percentage figures. Steelmaking capacity is still going up and should reach 119 million net tons by the yearend, but the operating rates are still calculated on the Jan. 1, 1953 capacity of 117.5 million tons. For an operating rate to hold steady, production has to increase. When the rate goes down, there is more idle equipment than the percentage figure indicates, "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 95.4% of capacity for the week beginning Aug. 31, 1953, equivalent to 2,150,000 tons of ingots and steel for castings as against 93.4% (revised), or 2,106,000 tons a week ago. For the like week a month ago the rate was 94.0% and production 2,119,000 tons. A year ago the weekly production was placed at 2,055,000 tons and the operating rate was 98.9% of capacity. The capacity this year is higher than last year.

Car Loadings Extend Advance of Previous Week

Loading of revenue freight for the week ended Aug. 22, 1953, increased 10,044 cars, or 1.2% above the preceding week, according to the Association of American Railroads.

Loadings totaled 817,431 cars, a decrease of 16,798 cars, or 2.2% below the corresponding 1952 week, and a decrease of 21,156 cars, or 2.5% under the corresponding 1951 week.

Electric Output Soars To New All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 29, 1953, was estimated at 8,539,557,000 kwh., a new all-time high record, according to the Edison Electric Institute. The previous high point at 8,513,782,000 kwh., was reached in the week ended Aug. 15, last.

This represented an increase of 107,954,000 kwh. above the previous week.

The current total shows a gain of 893,304,000 kwh., or 11.7% over the comparable 1952 week and an increase of 1,393,948,000 kwh. over the like week of 1951.

U. S. Auto Output Drops 4% Under Preceding Week

Automotive output for the latest week dropped 4% below the preceding week's volume as the effects of the General Motors fire became more evident, states "Ward's Automotive Reports."

The industry turned out 125,283 cars last week, compared with 130,493 in the previous week. A year ago the weekly production was only 94,051.

United States truck production last week totaled 24,133 compared with 25,229 the previous week. A year ago truck output was only 20,718 units.

Canadian companies made 6,861 cars last week, compared with 6,165 in the previous week and 5,041 in the like 1952 week. Truck production amounted to 2,060 units last week, against 1,748 the week before and 1,849 in the year earlier period.

Business Failures Turn Sharply Upward

Commercial and industrial failures increased to 182 in the week ended Aug. 27 from 122 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were considerably higher than in the comparable weeks of 1952 and 1951 when 132 and 164 occurred, respectively, they remained at 21% below the prewar level of 229 in 1939.

Liabilities of $5,000 or more were involved in 162 of the week's failures. This size group showed a marked rise from 110 in the previous week and 100 a year ago. Small casualties, those with liabilities under $5,000, increased to 20 from 12 last week but did not reach their 1952 level of 32. Sixteen concerns succumbed with liabilities of $100,000 or more, as compared with 10 last week.

Mortality was heavier during the week in all industry and trade groups except construction which dipped one to 19. Sharp upturns lifted retail casualties to 89 from 56, wholesaling to 18 from 9, manufacturing to 40 from 30, and commercial service to 16 from 7. More businesses failed than a year ago in all lines.

Seven of the nine major geographic regions reported increases, with the most marked rises appearing in the Pacific States where failures climbed to 55 from 30 and in the Middle Atlantic States where they were up to 55 from 34. The week's only declines occurred in the West North Central and East South Central Regions. In six areas, casualties exceeded the 1952 level; more than twice as many concerns failed as last year in the Mountain, Pacific, and South Atlantic States. On the other hand, mortality dipped below a year ago in the Middle Atlantic, West North Central and East South Central Regions.

Wholesale Food Price Index Approaches Year's High Mark In Latest Week

Food prices in wholesale markets continued upward last week, lifting the Dun & Bradstreet wholesale food price index for Aug. 25 to $6.73. This marks a rise of 0.9% over $6.67 a week earlier, and is only slightly under the year's high of $6.75 on July 21. It compares with $6.70 on the corresponding date a year ago, or a rise of 0.4%.

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

Wholesale Commodity Price Level Maintained A Steady Trend The Past Week

The general commodity price level held fairly stable last week. The Dun & Bradstreet daily wholesale commodity price index moved in a narrow range and closed at 282.15 on Aug. 25. This compared with 281.82 a week earlier, and with 292.64 on the corresponding date a year ago.

Grain markets were unsettled the past week with prices trending downward until the final day of the week. All grains rose sharply on Monday for the first general advance in several weeks. The rise in wheat was sparked by good demand in the cash market, an unlooked for drop in the visible supply of the bread cereal, and a smaller than expected movement of cash receipts at North Western terminal markets.

Early weakness in wheat and other grains reflected the large potential United States and Canadian supplies.

Corn was relatively strong with good quality cash grain selling at the best prices of the year. Rye prices dropped under selling induced by the bright Canadian crop prospects. Trading volume in all grain and soybean futures was smaller last week. Daily average sales on the Chicago Board of Trade totaled 58,900,000 bushels, against 69,000,000 the week before, and 40,000,000 in the same week a year ago.

Lard continued higher, reflecting lessened production and small stocks. Prices reached new high ground for the season and the highest since June, 1951. Hogs remained strong and sold at best prices for August in five years, aided by relatively small supplies and continued firmness in fresh pork cuts. Although cattle receipts increased, prices showed some improvement as the result of government buying of beef products. Sheep and lamb prices were steady.

Bookings of Spring wheat bakery flours held at a very slow pace. While potential demand for these types was large, bakers and jobbers bought sparingly in the hope that prices would work lower.

Cocoa futures declined for the week but the spot market continued firm and higher, reflecting the tight statistical position. Warehouse stocks of cocoa declined slightly during the week and totaled 174,045 bags, against 128,328 a year ago. Demand for raw sugar was rather slow.

The spot cotton market was quite steady last week with price fluctuations small. Helping to sustain values were mill price-fixing and short-covering, and expectations that large quantities would be placed in the government's 1953 loan stock should prices fall below the loan level. Bearish factors included favorable growing conditions in the belt, lagging export trade, and slowness in cotton textile markets.

It was announced during the week that there would be no export subsidy on cotton shipments this season.

Reported sales of cotton in the ten spot markets the past week increased to 105,700 bales, from 82,600 in the preceding week, and 102,300 bales in the corresponding week a year ago.

Trade Volume Slowed By Warm Weather In Latest Week

The return of warm weather to many parts of the nation in the period ended on Wednesday of last week slowed retail trade which had been rising in recent weeks. However, most retail merchants continued to surpass the sales figures of a year before. Clearance sales of seasonal merchandise were much less common than in the recent weeks.

Relaxed credit terms helped to sustain shoppers' interest and consumer debt remained near the all-time high reached several weeks ago.

Retail dollar volume in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the comparable 1952 level by the following percentages: New England and South 0 to +4; East −1 to +3; Midwest +1 to +5; Southwest, Northwest, and Pacific Coast +2 to +6.

The interest in Fall clothing was weakened somewhat by the resurgence of Summer heat. The buying of back-to-school and other Fall items declined and did not surpass the level of a year ago when Labor Day was a week earlier. There was a steady dwindling in the response to clearance sales of Summer clothing. Sportswear and children's clothing remained the most popular items.

The consumer call for food slackened slightly the past week as appetites wilted from warm weather. However, food stores continued to sell more than they did in the similar 1952 week. Canned foods and frozen foods remained in broader demand than at this time last year.

Household goods were about as popular as during the preceding week. The interest remained somewhat above the corresponding 1952 level.

While television sets, large appliances and case goods were in weak demand, the buying of decorating materials, floor coverings and bedding remained high.

The approach of a new selling season was reflected in the growing volume of wholesale orders in the week. As during most of the past year, the total dollar volume of wholesale trade continued to surpass the level of a year earlier. With inventories generally larger than a year ago, buyers were increasingly selective.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Aug. 22, 1953, showed no change from the level of the preceding week. In the previous week no change was also reported from that of the similar week of 1952. For the four weeks ended Aug. 22, 1953, no change was recorded. For the period Jan. 1 to Aug. 22, 1953, department stores' sales registered an increase of 4% above 1952.

Retail trade volume in New York last week suffered from the intense hot weather, and as a consequence, trade observers look for a drop of about 5 to 6% below the like week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 22, 1953, declined 2% from the like period of last year. In the preceding week a decrease of 4% was reported from that of the similar week of 1952, while for the four weeks ended Aug. 22, 1953, a decrease of 1% was reported. For the period Jan. 1 to Aug. 22, 1953, no change was registered from that of 1952.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 6	§95.4	*93.4	94.0	98.9
Equivalent to— Steel ingots and castings (net tons)	Sept. 6	§2,150,000	*2,106,000	2,119,000	2,055,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 22	6,618,700	6,594,750	6,568,700	6,283,600
Crude runs to stills—daily average (bbls.)	Aug. 22	¶7,109,000	7,092,000	7,125,000	7,174,000
Gasoline output (bbls.)	Aug. 22	25,182,000	25,561,000	24,954,000	23,904,000
Kerosene output (bbls.)	Aug. 22	2,334,00	2,157,000	2,212,000	2,573,000
Distillate fuel oil output (bbls.)	Aug. 22	10,324,000	*10,189,000	10,023,000	10,359,000
Residual fuel oil output (bbls.)	Aug. 22	8,956,000	8,635,000	8,778,000	9,161,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 22	142,334,000	143,577,000	143,446,000	116,393,000
Kerosene (bbls.) at	Aug. 22	33,769,000	*32,668,000	30,312,000	30,814,000
Distillate fuel oil (bbls.) at	Aug. 22	113,601,000	*110,443,000	98,114,000	99,085,000
Residual fuel oil (bbls.) at	Aug. 22	50,844,000	*50,425,000	48,886,000	52,104,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 22	817,431	807,387	780,705	834,229
Revenue freight received from connections (no. of cars)	Aug. 22	667,774	659,291	633,114	673,658
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 27	$214,331,000	$259,040,000	$297,471,000	$353,898,000
Private construction	Aug. 27	61,850,000	154,195,000	179,162,000	236,594,000
Public construction	Aug. 27	152,481,000	104,845,000	118,309,000	117,304,000
State and municipal	Aug. 27	131,784,000	81,184,000	95,214,000	92,259,000
Federal	Aug. 27	20,697,000	23,661,000	23,095,000	25,045,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 22	9,570,000	*9,535,000	9,160,000	10,955,000
Pennsylvania anthracite (tons)	Aug. 22	550,000	558,000	603,000	965,000
Beehive coke (tons)	Aug. 22	95,600	*105,800	98,600	88,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 22	100	95	83	10.
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 29	‡8,539,557	8,431,603	8,511,622	7,646,253
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 27	182	122	182	132
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 25	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Aug. 25	$56.76	$56.76	$56.76	$55.26
Scrap steel (per gross ton)	Aug. 25	$41.67	$43.17	$44.92	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 26	29.700c	29.500c	29.675c	24.200c
Export refinery at	Aug. 26	29.525c	29.200c	29.075c	34.675c
Straits tin (New York) at	Aug. 26	83.000c	83.000c	80.250c	121.500c
Lead (New York) at	Aug. 26	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Aug. 26	13.800c	13.800c	13.800c	15.800c
Zinc (East St. Louis) at	Aug. 26	11.000c	11.000c	11.000c	14.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 1	92.69	93.00	93.22	97.28
Average corporate	Sept. 1	103.64	103.80	103.97	109.79
Aaa	Sept. 1	107.98	108.34	108.88	114.08
Aa	Sept. 1	105.69	105.86	106.21	112.00
A	Sept. 1	103.13	103.13	102.96	109.24
Baa	Sept. 1	98.25	98.09	98.57	103.97
Railroad Group	Sept. 1	101.97	101.97	102.13	106.74
Public Utilities Group	Sept. 1	102.96	103.13	103.80	109.42
Industrials Group	Sept. 1	106.04	106.21	106.21	112.93
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 1	3.02	3.00	3.00	2.69
Average corporate	Sept. 1	3.53	3.52	3.51	3.18
Aaa	Sept. 1	3.28	3.26	3.23	2.95
Aa	Sept. 1	3.41	3.40	3.38	3.06
A	Sept. 1	3.56	3.56	3.57	3.21
Baa	Sept. 1	3.86	3.87	3.84	3.51
Railroad Group	Sept. 1	3.63	3.63	3.62	3.35
Public Utilities Group	Sept. 1	3.57	3.56	3.52	3.20
Industrials Group	Sept. 1	3.39	3.38	3.38	3.01
MOODY'S COMMODITY INDEX	Sept. 1	413.8	421.4	422.2	431.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 22	199,211	232,550	185,853	187,012
Production (tons)	Aug. 22	261,470	260,535	237,654	220,691
Percentage of activity	Aug. 22	97	98	93	88
Unfilled orders (tons) at end of period	Aug. 22	507,572	583,898	522,123	394,190
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 28	106.06	106.00	106.23	109.36
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. 15	19,973	22,596	21,116	23,130
Number of shares	Aug. 15	574,818	654,389	578,884	657,240
Dollar value	Aug. 15	$26,929,242	$30,299,003	$26,585,273	$29,995,478
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 15	18,799	19,074	17,888	20,392
Customers' short sales	Aug. 15	129	93	173	92
Customers' other sales	Aug. 15	18,670	18,981	17,715	20,300
Number of shares—Total sales	Aug. 15	515,441	529,602	488,900	567,002
Customers' short sales	Aug. 15	4,343	3,039	6,079	2,985
Customers' other sales	Aug. 15	511,098	526,563	482,821	564,017
Dollar value	Aug. 15	$20,665,963	$21,302,648	$19,742,000	$23,602,149
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 15	157,770	149,190	144,360	178,010
Short sales	Aug. 15	-----	-----	-----	-----
Other sales	Aug. 15	157,700	149,190	144,360	178,010
Round-lot purchases by dealers— Number of shares	Aug. 15	215,880	272,230	248,550	250,050
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. 8	229,500	252,660	204,920	186,640
Other sales	Aug. 8	5,423,840	5,850,830	4,510,360	5,542,270
Total sales	Aug. 8	5,653,340	6,103,490	4,715,280	5,728,910
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 8	580,585	666,180	441,690	527,240
Short sales	Aug. 8	110,440	105,430	83,170	112,130
Other sales	Aug. 8	506,500	580,210	387,240	422,660
Total sales	Aug. 8	616,940	685,640	470,410	534,790
Other transactions initiated on the floor—					
Total purchases	Aug. 8	119,790	106,900	82,610	83,430
Short sales	Aug. 8	12,940	14,000	13,400	6,600
Other sales	Aug. 8	109,360	119,440	95,440	85,520
Total sales	Aug. 8	122,300	133,440	106,840	92,120
Other transactions initiated off the floor—					
Total purchases	Aug. 8	213,250	280,470	208,630	205,385
Short sales	Aug. 8	51,860	43,050	38,200	31,470
Other sales	Aug. 8	332,995	255,837	240,450	264,120
Total sales	Aug. 8	384,855	298,887	278,650	295,590
Total round-lot transactions for account of members—					
Total purchases	Aug. 8	913,625	1,053,550	732,930	816,055
Short sales	Aug. 8	175,240	162,480	134,770	150,200
Other sales	Aug. 8	948,855	955,487	723,130	772,300
Total sales	Aug. 8	1,124,095	1,117,967	857,900	922,500
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 25	110.7	110.8	110.5	112.0
Farm products	Aug. 25	97.5	97.7	97.4	108.8
Processed foods	Aug. 25	105.0	*105.3	104.9	110.9
Meats	Aug. 25	95.1	95.7	96.9	116.0
All commodities other than farm and foods	Aug. 25	114.7	114.8	114.5	112.9

*Revised figure. ¶Includes 639,000 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. ‡New all-time high record.

	Latest Month	Previous Month	Year Ago
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of June (in thousands)	$154,106,000	*$142,175,000	$139,759,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of July:			
New England	$35,440,904	$21,780,933	$20,559,484
Middle Atlantic	115,517,012	89,526,564	75,331,214
South Atlantic	59,936,559	56,736,681	33,899,864
East Central	124,191,865	105,949,777	84,117,260
South Central	58,800,352	74,491,792	77,592,168
West Central	33,436,622	22,844,154	51,000,349
Mountain	15,517,964	11,943,583	14,508,493
Pacific	87,349,928	71,964,713	84,152,089
Total United States	$530,191,206	$455,238,197	$441,160,921
New York City	69,097,923	43,264,650	44,945,049
Outside New York City	461,093,283	411,973,547	396,215,872
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	164	145	133
Wholesale number	73	80	59
Retail number	380	419	299
Construction number	64	99	48
Commercial service number	43	74	41
Total number	724	817	580
Manufacturing liabilities	$17,139,000	$11,179,000	$8,882,000
Wholesale liabilities	8,904,000	3,777,000	3,811,000
Retail liabilities	11,282,000	12,464,000	5,434,000
Construction liabilities	2,789,000	3,200,000	3,196,000
Commercial service liabilities	1,210,000	1,759,000	1,466,000
Total liabilities	$41,324,000	$32,379,000	$22,789,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of June (millions of dollars):			
Manufacturing	$45,496	*$44,970	$42,892
Wholesale	10,399	*10,323	9,896
Retail	21,655	*21,543	20,125
Total	$77,550	*$76,836	$72,913
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.—(1947-1949=100)—Month of July	138.5	134.0	130.2
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of July	739,050	741,929	697,637
In consuming establishments as of July 31	1,491,007	1,660,823	1,035,098
In public storage as of July 31	3,751,936	4,050,356	1,534,264
Linters—Consumed month of July	102,693	122,924	78,830
Stocks July 31	1,012,443	1,063,936	532,710
Cotton spindles active as of July 31	20,007,000	19,824,000	19,923,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of July:			
Sales (average monthly), unadjusted	76	100	72
Sales (average daily), unadjusted	75	98	70
Sales (average daily), seasonally adjusted	103	101	98
Stocks, unadjusted	107	111	102
Stocks, seasonally adjusted	120	118	115
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of June:			
Death benefits	$169,923,000	$158,288,000	$148,980,000
Matured endowments	39,094,000	37,168,000	35,126,000
Disability payments	8,378,000	8,834,000	8,651,000
Annuity payments	34,018,000	35,339,000	31,177,000
Surrender values	59,810,000	57,485,000	50,453,000
Policy dividends	71,958,000	58,118,000	65,435,000
Total	$383,181,000	$355,232,000	$339,822,000
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted):			
Ordinary	$1,998,000	$2,084,000	$1,671,000
Industrial	499,000	543,000	420,000
Group	465,000	600,000	351,000
Total	$2,962,000	$3,227,000	$2,442,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of June (millions of dollars):			
Inventories:			
Durables	$25,799	*$25,420	$23,348
Nondurables	19,696	19,550	19,544
Total	$45,496	*$44,970	$42,892
Sales	26,118	*26,226	21,888
MONEY IN CIRCULATION—TREASURY DEPT.—As of June 30 (000's omitted)	$30,116,000	*$29,951,000	$29,026,000
NEW YORK STOCK EXCHANGE—As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,663,839	$1,684,471	$1,337,103
Credit extended to customers	28,648	34,654	66,759
Cash on hand and in banks in U. S.	286,289	282,426	335,336
Total of customers' free credit balances	649,685	658,688	691,949
Market value of listed shares	115,885,633	113,306,468	115,824,575
Market value of listed bonds	100,279,485	99,454,004	100,273,060
Member borrowings on U. S. Govt. issues	141,345	*104,494	307,021
Member borrowings on other collateral	1,193,868	*1,257,538	1,156,400
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1941=100—As of June 15:			
Unadjusted—			
All farm products	259	261	292
Crops	251	243	277
Food grain	222	242	238
Feed grain and hay	198	205	226
Tobacco	425	426	437
Cotton	266	268	319
Fruit	253	224	220
Truck crops	270	182	250
Oil-bearing crops	280	285	289
Livestock and products	267	277	306
Meat animals	299	317	380
Dairy products	254	257	277
Poultry and eggs	213	218	181
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of June (000's omitted):			
Exports	$1,379,000	*$1,441,000	$1,167,000
Imports	951,000	*901,626	860,844

Continued from first page

The Sustaining Economic Forces Ahead

Our real production has doubled in the past 25 years. Our per capita real income is up 50% and the distribution of income has improved greatly during this period.

In contrast, available information suggests that the real earnings of the average worker in the Soviet Union today, in terms of food-buying power, are below the level 25 years ago, in 1928, when a certain amount of free enterprise prevailed, and before the peasants had been forced into collective farms. The average Soviet worker has to work about 45% longer today for the same supply of essential foods than in 1928, this despite the widely publicized price cuts of last April. This unfortunate worker has to work twice as long for a pound of bread as a New York City worker; for potatoes, three times as long; beef, five times; milk, six times; eggs, seven times; butter, nine times; and tea, 21 times as long. For clothing he has to work between ten and twenty times as long as the New York City worker.

Last spring I attended a meeting at which a number of economists analyzed the fragmentary economic data coming out of Russia. The statistics suggested that Russia, while not increasing living standards as I have already noted, nevertheless has been increasing national output between 8% and 10% a year during recent years. Most of the economists attending this meeting were very alarmed. They pointed out that our production is increasing only by about one-half that percentage. On this basis straight-line projections would show that within a relatively short time Russian economic strength, as measured by productive capacity, would exceed our own and the combined capacity of the free world. This, my economist friends believed, would mean disaster to the United States. They pointed out that the Fifth 5-year plan of Russia calls for further increases from 1950 to 1955 by 43% in coal, 85% in petroleum, 82% in steel, 80% in electric power, 85% in metallurgical equipment, and similar increases in other basic industries.

But I took a more optimistic view. I doubted that the increase in Soviet industrial strength could continue at the same pace that it has in recent years. Russia started from nothing and is trying to squeeze a century of industrialization into a relatively short period. I pointed out that it will be necessary for Russia to devote a larger percentage of this output to consumption rather than further capital investment if it is to maintain its existing production.

Russian Expansion Becoming an Unbearable Load

We are now seeing evidences that Russian expansion has placed an unbearable load on the civilian population of the satellite countries, and has placed a strain upon the population of Russia itself. This was confirmed by Premier Malenkov's revealing speech to the Supreme Soviet two weeks ago. Malenkov stated, for example, that he hopes to increase consumer goods by 65% between 1950 and 1955.

Last week the Foreign Minister of Rumania stated that work on the Black Sea Canal has been stopped because "the material and moral forces of the people should be concentrated on those works that will most rapidly raise their living standards. What is essential is that the Government should see to it that living standards are raised."

I think recent happenings give assurance that our economic and military policies have been producing the desired results. The recent Communist overtures leading to a Korean Armistice probably reflect the Soviet belief that a truce at this time will strengthen Communism in the long-run struggle and will weaken the United States. They probably believe that a cessation of fighting will provide an opportunity for further rapid Soviet industrial expansion. They probably believe, on the other hand, that an armistice will induce a relaxation in the rearmament of the United States and its allies, and cause economic dislocation and recession.

In light of this cold war strategy of the Communists it is necessary to analyze the economic outlook—short-run and, even more importantly, the longer-run—because of the crucial importance of a strong economy to the achievement of our goals of human freedom and improved living standards. Today, therefore, I want to discuss briefly the present economic situation; the forces at work in the longer run; the leading theories as to economic stability and growth; and finally some implications for public and private policy.

The Current Economic Situation and Outlook

Our national economy has been relatively stable since the buying spree that followed the outbreak of the Korean war. In the past two-and-one-half years we have had tremendous production of consumer goods and services, unprecedented private investment in new plant and equipment, and high levels of residential construction. Government expenditures for national security increased from an annual rate of about $15 billion to a level of over $50 billion attained several months ago. Prices—as measured by the consumer price index—have been relatively stable for 30 months.

The American people have contributed to this stability by saving their money. Consumers, although enjoying even higher standards of living, have been saving at annual rates of 7% or 8% of their incomes after taxes; in the 1930's they saved less than 5%, as during the three years preceding Korea.

Voluntary saving on the part of individuals has been, of course, encouraged by the Government's anti-inflationary fiscal, monetary, and regulatory programs. Following Korea, taxes were increased substantially, non-defense expenditures were reduced, and selective and later general credit controls were applied by the monetary authorities.

As one reviews the economic statistics for the first half of this year, one must conclude that expansionary forces were still at work—with employment exceeding 63 million, production averaging $367 billion (annual rate), private investment and consumption at all-time highs, and corporate profits 12% above a year ago. The chief restraining influence was general credit control. Naturally it pinched some, but only because of the expansionary forces present.

There is considerable sentiment among business analysts that the economy will begin to show definite signs of weakness this fall, carrying into calendar 1954 and 1955. This forecast is nothing new. It is based in large measure on an assumed decline in Federal expenditures from present levels, and on a decline in private investment. Personally, I am inclined to discount some of this pessimism, even if we are fortunate in reducing the Federal budget. It is hard for me to believe that a margin of say $10 billion of Federal expenditures at present high levels (or to a $65 billion rate from the present $75 billion level) will make that much difference to the general economy. I think the crucial question is what happens to private investment and private consumption as we move to a lower level of national security expenditures. Will business continue to modernize and expand to meet the growing long-run demands of the country? Will consumers be willing to spend a larger portion of their disposable income as they did after World War II?

Recession Not Inevitable

I must say that there is nothing in the outlook today which indicates that an economic recession is inevitable. Actually we have been passing through adjustments in one industry after another during the past two years-and-a-half. These adjustments, and in a number of cases severe shakedowns, in textiles, certain consumer durables, and other industries have left the economy in a strong position. Agriculture has been experiencing a squeeze for nearly two years. Adjustments were inevitable as agricultural exports declined to more normal levels with production restored in war-torn areas. The farm problem is also the consequence of the drought in the beef-producing areas, of the pressure of large carry-overs and of good current crops. Agricultural economists, I believe, agree that the present farm slump will not likely precipitate a general depression. For example, Dr. Jesse Tapp of the Bank of America, recently said:

"Adjustment problems which inevitably follow in the wake of a slowdown or reversal of inflationary price trends are evident in many segments of agriculture. Haunted by memories of the sharp post-World War I slump of 1920-21 and the acute farm and general economic depression of the early 1930s, many farmers and others are pondering the question as to whether the agricultural adjustments in prospect will precipitate a general economic depression. The seriousness of the adjustment problems to large groups of farmers and to some closely related industries is quite apparent. However, there is little evidence to support the view that these adjustment problems of themselves will be an important factor in heading the general economy into depression. On the contrary, there is ample evidence to indicate that if it can be achieved a continued high level of employment and consumer income will greatly facilitate the agricultural adjustments now in process."

I would summarize the current economic situation as one of "steaming stability" supported by "rolling readjustments."

Forces in the Picture for the Longer-Run

When we attempt to sketch the longer-run picture economic analysts disagree even more sharply and more basically than when analyzing the short-run outlook. There are those who prophesy a major economic depression and who are continually pessimistic about the longer-run. On the other hand, there are those who believe that moderate inflationary pressures will continue almost indefinitely. The differences between these groups are due largely to differing assumptions as to international developments and to differing theories of domestic economic development.

If the international situation continues to make necessary the arms race, I cannot see a major economic down-turn with large unemployment and unused productive capacity next year or the year after; rather I see continuing inflationary pressures and a further drain on our basic resources—perhaps reducing our standard of living and our long-run strength.

The fundamental challenge to our capitalistic system is to develop public and private programs which will give us adequate military strength and which we can sustain over whatever length of time is necessary. I believe that the Congress, and the people generally, recognize this challenge and are determined to see that external forces do not lead us into a trap which will eventually wreck our economy. I personally believe that the economy can sustain even higher levels of security expenditure if the situation warrants.

Let us look now at the more interesting internal economic forces which will be influential in determining our economic progress in the years to come. Assuming that we can level off and perhaps reduce expenditures for military preparedness, what will be the outlook? What are the sustaining internal forces at play which, in large measure, are within our power to control through adjustments in private and public programs?

In considering these forces and the types of program adjustments necessary it seems to me that two things must be kept in mind. First, it is not at all likely that we will enter a sharply defined period of military demobilization as we did at the end of World War II; and second, that when and if military expenditures can be tapered off, the magnitude of the cutback will be far less than that which occurred at the end of World War II. At that time Government purchases for national security dropped from $88 billion in 1944 to $18 billion in 1946—a drop of $70 billion. The most optimistic predictions today are that it will not be possible to cut national security expenditures, and probably taxes, by more than $10 to $15 billion below their present level at any time in the foreseeable future if we are to maintain our military strength.

Dynamic Growth Forces

More than offsetting this rather small possible decline in defense expenditures are several important dynamic forces for growth in the economy during the next decade. Let us look first at the requirements of our growing population for consumer goods and services. This demand will call for huge private investment in additional plant and equipment, in vast public programs of community facilities, highways, schools, and the like.

Population in the United States will likely increase from about 150 million in 1950 to 175 million in 1960. It has already reached 160 million. The increase during this decade will approximate 25 million as compared with less than 20 million during the decade of the 1940's. While it is not easy to appreciate the full significance of the dynamic forces represented by an increase of this magnitude, I think it is extremely important to underscore the point that this is not merely a continuation of a rate of increase to which our economy is already tuned, but is a substantial acceleration in the rate of growth. The estimated increase of 25 million in population for this decade is equivalent to the combined population of New York State and Pennsylvania, and in itself represents a new market factor of major importance. But, even more significant is the fact that the national economic plant, which had found itself in the years since the close of World War II busily engaged in trying to supply the housing, food, and clothing for the new population in the decade of the forties, will find in the next decade that it will have to do a job nearly one-third greater.

Just one major economic impact of this growth in population lies in the amount of housing which it will call for. Everyone has been impressed by the magnitude of our home-building activities of the last six years, during which period new non-farm residential units constructed averaged more than one million units per year. While many people will be disposed to discount or to question the estimates of housing needs of the United States by 1960, housing authorities estimate that 14 million new units will be required this decade. While problems of pricing and financing may limit the rate of construction in any one year, the figures suggest a sustained market for the next decade and longer of perhaps 1½ million housing units a year.

Similarly, astounding figures can be cited for new schools, hospitals, and highways required to maintain community services at per capita standards comparable with the present and to provide the improved levels of living the American people rightly anticipate. School enrollment remained virtually unchanged in the decades 1930 to 1950. It is estimated to increase 27% in this decade and call for capital investment in new school facilities amounting to $20 billion. The Public Health Service, on the basis of State hospital plans approved under the Hill-Burton Act, estimates that at present price levels about $20 billion will be needed for new hospital construction in this decade. Recent highway studies place the needs for highway maintenance and modernization at $7 billion a year.

The "Fifth Plate"

The Department of Agriculture some time ago issued a report entitled "The 5th Plate" which points out that if we are to maintain our present standard of living, we will, by 1975, have had to increase our pig crop by an amount equal to all of the pigs produced in Iowa and Nebraska in 1950. If we are to maintain our per capita beef consumption, we will have to add to our national production an amount equivalent to the 1950 production in Texas, Oklahoma, and Minnesota combined. If we are to maintain our lamb crop, we will have to increase production by more than the combined 1950 production of Montana, Wyoming, Utah and Nevada. This demand will in no small way help agriculture recover from the adjustment incident to the decline in foreign demand.

I have placed this emphasis on our growing consumer demand first among the forces affecting the longer run because it is the thing which businessmen and government must keep in mind in making plans for investment.

Let us now look at our ability to meet these demands. Our ability to produce will depend upon the labor force, our productivity or "know-how," and on the availability of raw materials.

Shorter Work Week Forecast

With increasing population there will be additional people looking for productive jobs. But one characteristic of the expected increase in population is that the expansion will be concentrated in the older, retired or retirable age groups and in the infant and child groups; the work force will increase far less proportionately than the increase in population. Although the labor force will increase about 7 or 8 million in the decade of the 1950's—the same as the increase in the decade of the 1940's—population will increase 5 million more than it increased in the decade of the 1940's. It seems safe to assume also a gradual shortening of the work week. The shorter work week and longer week-end may well turn out to be a sustaining force far beyond anything we can now foresee. Not only will people be taking part of the gains in productivity in increased leisure, but that increased leisure will call for large investment in part-time farms, hobbies, resorts and the like.

At the same time, with billions of dollars devoted to technical research (some $2 billion by industry in 1951) and a high rate of capital investment, I can see no reason why the persistent increase in productivity which has characterized the history of the United States should show any marked slackening in rate over the next generation. The whole field of civilian use of atomic energy is just opening up and promises to provide almost unlimited opportunity for investment. The opportunities for private investment overseas will also develop in the coming years with, perhaps, government help in the form of tax inducements, sponsorship of insurance and investment companies, and the like. These developments would vastly increase the productivity of the free world.

In the area of raw material availability we have the report of the President's Materials Policy Commission of a year ago. The Commission, having in mind particularly the quarter century between 1950 and 1975, concluded that: "Absolute shortages are not the threat in the materials problem. We need not expect we will some day wake up to discover we have run out of materials and that economic activity has come to an end. The threat of the material problem lies in insidiously rising costs. . . ."

I think this conclusion is highly significant for it is in precisely this area of controlling costs by the substitution of new materials and new technology that American industry has always excelled. Viewed as a creeping problem, the raw materials problem with care and resourcefulness is not likely to prove a bottleneck or a limiting factor.

Solution of the raw materials problem as well as many of our other economic, political and social problems would be greatly aided if we recognize our self-interest in adjusting tariff barriers to permit the best possible use of the free world's human and material sources. I rate the trade problem as one of our most important problems from here on out.

Theories of Economic Stability And Growth

In outlining the demand and supply factors for the longer run, I have not attempted to bring together or equate these internally controllable demand and supply forces so as to conjecture as to whether or not they would add up predominantly to inflationary forces or predominantly to deflationary forces. By and large the synthesis of this type is subjective—depending on one's economic philosophy. Let us look at the two principal opposing theories.

First, there is the orthodox view that the private enterprise system, while subject to cyclical movement with recessions and booms, in the long run, if left to its own natural economic forces, will provide maximum economic growth and the highest standard of living. The principal role of government under this philosophy is that of policeman with the job of preventing monopolies and other artificial restraints to the private free market. This pretty generally was the philosophy that guided this country up to the 1920's. There were, of course, definite exceptions to this laissez-faire policy taking the form of protective tariffs and inadequate anti-trust enforcement, but by-and-large the theory was one of private competitive forces as the regulator, with the gold standard as the safeguard against excessive government intervention.

The opposing philosophy holds that our private capitalistic system will only work at capacity if there is a constant outside stimulus provided. This stimulus can be in the form of export surpluses, government deficits, or some similar phenomenon. It might take the form of a rapidly growing population such as we see for the next decade in the United States. The holders of this view believe that without such stimulus private competitive forces will lead to a distribution of income which will provide insufficient demand for goods and services to keep the productive machinery of the nation in full operation. This theory maintains that we are able to produce more than we are willing to consume domestically under a static situation, that unless we give it way through exports or the government provides the extra demand through deficit spending, inventories will pile up and cause business management to reduce production, thus eventually bringing the economy to equilibrium at a point below full employment.

I won't attempt to argue which of these conflicting philosophies is correct. I am quite sure that neither alone adequately describes our economy. I believe that under our free enterprise economy we will always have some fluctuations if we are to avoid chronic inflation of a disastrous sort; that as long as we have four or five million independent businesses and 50 million consumer units with their own ideas as to business expectations and choices we will have contracting or expanding forces, both on the supply side and on the demand side.

Implication for Public and Private Policy

In considering the implication for public and private policy for the period ahead, significant, I believe, is the action by the Congress in passing the Employment Act in 1946 which declared it to be the "continuing policy and responsibility of the Federal Government to use all practicable means" to promote economic stability and economic growth. Although not guaranteeing prosperity—and, of course, no law can do that—the Employment Act provided common goals for private and public policy and machinery in the Executive Branch of the Government and in the Congress for continuing study and research on this problem, and for coordinating public programs.

The debates leading to the adoption of the Employment Act suggested that the role of economic policy, both public and private, should be not to prevent all ups and downs, but rather to minimize the amount and impact of economic fluctuations. The Act's objective is maximum employment and production within the framework of a free enterprise system. The theory underlying the Employment Act is that aggressive private leadership and statesmanship is of vital importance in maintaining our economic strength and growth. This theory has particular application in marshalling a constructive program for economic strength in the years immediately ahead for we cannot escape the fact that the private economy as a whole will be called upon to expand significantly its utilization of goods and services in the next two or three years if we are to maintain "maximum employment and production."

I would emphasize the delicate balance in which we find our economy today and in which we are likely to continue for some time. This situation presents a challenge to both business and consumers. To say the least, it presents a real challenge to the government. In this connection I was impressed by a speech of Elliot Bell (Editor and Publisher of "Business Week") given at the Economists Club of New York shortly after the election last November, in which he said that while the new Administration will begin "with emphasis on conservative measures of budget balancing, it will keep a sharp eye on the economic weather and be prepared to modify its course if and when the storm signals start flying on the economic front." After seven months, I believe this prediction of Elliot Bell was a good one. We can have confidence in Dr. Arthur Burns, new Chairman of the President's Council of Economic Advisers, and the energy with which he is going about mobilizing the forces in the Executive Branch of the Federal Government, in analyzing current economic trends, and in preparing strategy for dealing with whatever type of economic change comes along.

Government must assist in increasing private utilization of production in the period ahead. In the longer-run too, the Government must provide a flexible policy in the areas of public expenditures, taxation, credit, with the minimum controls and red tape. It must use expertly the whole array of fiscal, monetary and regulatory tools to neutralize as best it can the inflationary or deflationary pressures originating in the private economy, or forced upon us from outside.

With private and public policy-makers (and Congress) proceeding in a flexible, statesmanlike manner, I am confident that we can increase productivity, output, and the standard of living of the American people, while providing the free world with leadership and economic assistance in preserving freedom and increasing living standards everywhere.

First Boston Group Offers Duke Pow. Bds.

A new issue of $35,000,000 Duke Power Co. 3¾% first and refunding mortgage bonds, due Sept. 1, 1983, is being offered publicly today (Sept. 3) by a nationwide investment banking group headed by The First Boston Corp. The bonds are priced at 102.55 to yield approximately 3.61% to maturity. They are callable at general redemption prices ranging from 105.55% in the 12 months beginning Sept. 1, 1953 to 100 after Sept. 1, 1982. Special redemption prices, beginning in 1953, are scaled from 102.56 to 100.

Proceeds from the sale of bonds and the concurrent offering to common stockholders of additional common shares will be used by the Southern utility to reimburse the company's treasury for construction expenditures made subsequent to May 1, 1953, and for further construction costs. For the calendar years 1953 and 1954, the company estimates its expansion requirements at $94,400,000, of which approximately $57,000,000 is earmarked for new generating facilities.

Through 40 plants having an aggregate generating capacity of 1,926,673 kilowatts, Duke Power Company supplies electric service in the Piedmont section of North and South Carolina, covering 50 counties having approximately 40% of the 1950 population of the two states. At the completion of the present phase of the company's current construction program, generating capacity will have been increased by 416,000 kw. Operating revenues for the 12 months ended May 31, 1953, totaled $103,083,000 and gross income before interest deductions amounted to $14,852,000.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Appointment of John P. Stampfel as an Assistant Trust Officer of **Manufacturers Trust Company, of New York City,** was announced by Horace C. Flanigan, President, on Aug. 31.

Mr. Stampfel joined the bank in 1933 and has always worked in the Stock Transfer Department.

During World War II he served in the Army Air Force from 1943-1945. He is a resident of New Hyde Park, New York.

* * *

The resignation of William C. Hundt from the Board of Trustees of the **Lincoln Savings Bank New York City** has been announced by John W. Hooper, President of the bank. Starting with the Lincoln as a clerk in 1919, Mr. Hundt held the positions of Auditor, Comptroller and Vice-President. He was elected to the latter post on January 10, 1945, holding that title at the time of his resignation. He became a member of the Board of Trustees in 1947.

Immediately following the introduction of Savings Bank Life Insurance in New York State in January, 1939, Mr. Hundt became the first President of Savings Bank Life Insurance Council. At the outset, only three banks, the Lincoln, East New York and New York Savings Banks, offered Savings Bank Life Insurance in the State and Mr. Hundt took an active part in the early pioneering efforts of Savings Bank Life Insurance, as well as the Savings Banks Retirement System.

* * *

Mr. Elwood W. Cromwell, Vice-President of **The County Trust Co. in White Plains, N. Y.,** retired on Aug. 31, after 17 years of service. Mr. Cromwell was formerly with the National City Bank of New York.

* * *

The common capital stock of **The Central National Bank of Richmond, Virginia** was increased effective Aug. 25, from $1,500,000 to $1,750,000 by a stock dividend.

* * *

Stockholders of **The Bank of Virginia, Richmond, Virginia,** will have subscription rights to purchase, at $45 per share, one new share of stock for each five owned, from a new 20,000-share issue.

The bank's board of directors directed the issuance of subscription warrants in a meeting held in Richmond, following a special meeting of stockholders in which an amendment to the bank's charter was approved authorizing an increase in the shares of stock.

Some 850 stockholders will be mailed the subscription warrants, which expire at 4 p.m. on Sept. 25.

In addition to subscription rights, the bank's board of directors also approved a provision for stockholder participation in the allotment of any unsubscribed shares.

Sale of the additional 20,000 shares will increase the bank's capital from $2,000,000 to $2,400,000, represented by 120,000 shares of $20 par value each.

Total resources of the bank, by its June 3 printed statement of condition, were $96,357,391. The institution was established in Richmond on July 17, 1922, by Thomas C. Boushall, President, with a staff of seven and total resources of $376,460.

* * *

It has been announced by the Board of Governors of the Federal Reserve System that the **Bank of Dearborn, Dearborn, Michigan** has been admitted to membership effective Aug. 26.

* * *

The National Bank of Detroit plans to issue additional common stock for cash subscription and also as a stock dividend, it was announced on Aug. 27. If the proposals are approved at a special meeting of stockholders on Sept. 24, the cash offering will consist of 313,200 shares to be offered for subscription by shareholders on the basis of one additional share for each five held.

Subscription price for the additional shares is to be determined at the meeting, and "we contemplate that it will be set somewhat below the market price prevailing on the day of the meeting," Charles T. Fisher Jr., President, said on Aug. 27. Rights to subscribe will extend to Oct. 15.

The stock dividend would be at the rate of 19.732% and would be payable Nov. 16 to shareholders of record on Oct. 22. The dividend would call of issuance of 370,800 shares and would be paid on the 313,200 shares to be issued on cash subscription as well as on the 1,566,000 shares outstanding. It is the intention of the bank's board, Mr. Fisher said, to continue the present cash dividend rate of $2 a share annually on the increased number of shares to be outstanding.

* * *

The **Freeborn County National Bank of Albert Lea, Albert Lea, Minnesota** has changed its name effective Sept. 1, to **Freeborn National Bank of Albert Lea, Albert Lea, Minnesota.**

* * *

R. R. Gilbert, retiring President of the Federal Reserve Bank of Dallas, will become active Chairman of the Board of Directors and a Director of the **National City Bank of Dallas, Texas,** effective Oct. 1, DeWitt T. Ray, President, announced on Aug. 29.

Mr. Gilbert is retiring from his Federal Reserve post on Sept. 1, in compliance with policy requirements of the Board of Governors of the Federal Reserve System as to maximum age of executives.

He became 65 years of ago on Aug. 10.

A veteran of 48 years in the banking industry, Mr. Gilbert has been President of the Federal Reserve Bank of Dallas for 14 years and has been associated with that bank since its formation in 1914.

In assuming the new post, Mr. Gilbert fills a vacancy on the National City Bank Board vacated by the death of Dallas civic and banking leader Dan D. Rogers in 1952.

* * *

The Board of Directors of **The Fort Worth National Bank, Fort Worth, Texas,** announces the election of Henry A. Widdecke, Jr. to the office of Vice-President, effective as of Sept. 1, 1953.

* * *

The United States National Bank of San Diego, California, increased its common capital stock from $1,100,000 to $1,350,000 by sale of new stock effective Aug. 24.

At Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Phyllis W. Carter has joined the staff of Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

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, which will borrow the remainder to repay bank loans and for working capital. Underwriter — C. K. Pistell & Co., Inc., New York. Offering—Temporarily deferred.

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.

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.

★ **Augusta Chemical Co., Augusta, Ga.**
Aug. 24 (letter of notification) 5,500 shares of common stock (par $1). **Price**—At market, but not less than $2.75 per share (estimated at $2.87½ to $3.50 per share). **Proceeds** — To selling stockholder. **Underwriter** — May be named later.

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) being issued in exchange for 1,143 shares of preferred stock (no par) of The Cleveland Tapping Machine Co. on the basis of 12 shares of Automatic stock, plus $15 in cash for each Cleveland share. Offer was to expire on Aug. 31, unless extended. Underwriter—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible **sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. Price—At par. Proceeds—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering—Postponed**

California 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; rights to expire about Oct. 6. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None.

★ **Cascade Natural Gas Corp., Seattle, Wash.**
Aug. 25 (letter of notification) 35,000 shares of common stock (no par). **Price**—$4.50 per share. **Proceeds**—For retirement of notes and certain stockholders' shares. **Office**—407 Securities Bldg., Seattle, Wash. **Underwriter**—None.

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**—To be received up to 11 a.m. (CDT) on Sept. 9, at 20 No. Wacker Drive, Chicago 6, Ill.

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.; Hill, Richards & Co., Los Angeles, Calif.

Colo-Kan Fuel Corp., Denver, Colo.
June 29 (letter of notification) 940,000 shares of class A common stock (par five cents). **Price** — 9½ cents per share. **Proceeds**—For drilling expenses and equipment **Office**—711 E & C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley & Co., Denver, Colo.

★ **Consumers' Cooperative Services, Inc. (N. Y.)**
Aug. 28 (letter of notification) 2,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To repurchase from shareholders stock of the corporation which they wish to dispose of by sale. **Office**—38 Park Row, New York, N. Y. **Underwriter**—None.

DeKalb & Ogle Telephone Co., Sycamore, Ill.
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholdes at the rate of one new share for each four shares held. **Price**—At par ($10 per share). **Proceeds**—To construct telephone exchange. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Duke Power Co., Charlotte, N. C.
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.

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 &

NEW ISSUE CALENDAR

September 3 (Thursday)

Wabash RR. ____________ **Equip. Trust Ctfs.**
(Bids noon EDT) $2,820,000

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

Northland Oils, Ltd.____________ **Common**
(M. S. Gerber, Inc.) $150,000

September 10 (Thursday)

Household Finance Corp.____________ **Debentures**
(Lee Higginson Corp.) $15,000,000

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

Illinois Telephone Co.____________ **Preferred**
(Harris, Hall & Co., Inc.) $1,000,000

Mountain Fuel Supply Co.____________ **Common**
(The First Boston Corp.) 303,080 shares

Pacific Telephone & Telegraph Co.________ **Debs.**
(Bids noon EDT) $50,000,000

Reading Co. ____________ **Equip. Trust Ctfs.**
(Bids 11 a.m. EDT) $3,420,000

Sterling Discount Corp.____________ **Common**
(Courts & Co.) $540,000

Tennessee Gas Transmission Co.________ **Preferred**
(Stone & Webster Securities Corp. and White, Weld & Co.) $10,000,000

Thompson (H. I.) Fiber Glass Co.________ **Common**
(Sutro & Co.) 50,000 shares

September 16 (Wednesday)

Carolina Telephone & Telegraph Co.______ **Common**
(Offering to stockholders—no underwriting) 33,320 shares

Excelsior Insurance Co. of New York____ **Common**
(Offering to stockholders) $300,000

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 be invited) $5,000,000

September 18 (Friday)

New York State Electric & Gas Co.______ **Common**
(The First Boston Corp.; Lehman Brothers; Wertheim & Co., and Merrill Lynch, Pierce, Fenner & Beane) 337,118 shares

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 24 (Thursday)

National Bank of Detroit____________ **Common**
(May be Morgan Stanley & Co.) 313,200 shares

United States Air Conditioning Corp.____ **Common**
(Mortimer B. Burnside & Co., Inc. and George F. Breen) 320,000 shares

September 25 (Friday)

Central-Penn National Bank of Phila.____ **Common**
(Stroud & Co., Inc.) $3,723,750

September 29 (Tuesday)

Hawaii (Territory of)____________ **Bonds**
(Bids to be invited) $5,500,000

Indiana & Michigan Electric Co.____________ **Bonds**
(Bids 11 a.m. EST) $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

October 28 (Wednesday)

Public Service Electric & Gas Co.____________ **Bonds**
(Bids may be invited) $30,000,000

Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **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.

★ Excelsior Insurance Co. of New York (9/16)
Aug. 26 (letter of notification) 30,000 shares of capital stock (par $6) to be offered for subscription by stockholders of record Sept. 16 at rate of one new share for each four shares held; rights to expire Oct. 5. **Price**—$10 per share. **Proceeds** — For working capital. **Office**—Syracuse Savings Bank Bldg., Syracuse, N. Y. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

★ Foxbilt, Inc., Des Moines, Ia.
Aug. 24 (letter of notification) $250,000 of 5% subordinated notes. **Price**—At $100 face value. **Proceeds**—To retire short-term notes and for working capital. **Office**—504½ Grand Ave., Des Moines, Ia. **Underwriter**—None.

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, and Greenshields & Co., Inc., Montreal, Canada. **Offering**—Withdrawn Aug. 27.

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 Motors Acceptance Corp. (9/15)
Aug. 28 filed $150,000,000 of eight-year debentures due Sept. 15, 1961. **Price** — To be supplied by amendment. **Proceeds** — To finance increased volume of business. **Underwriter**—Morgan Stanley & Co., New York.

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. Statement effective Aug. 14. 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.

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.
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. (9/15)
Aug. 24 filed 20,000 shares of cumulative preferred stcok, series B (par $50). **Price** — To be supplied by amendment. **Proceeds** — For new construction and improvements. **Underwriter**—Harris, Hall & Co. (Inc.), Chicago, Ill.

★ Indiana & Michigan Electric Co. (9/29)
Aug. 28 filed $15,000,000 of first mortgage bonds due Sept. 1, 1983. **Proceeds**—From sale of bonds and private sale of $7,000,000 of cumulative preferred stock, to be used to prepay bank loans and for additions and improvements to property. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on Sept. 29.

● 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. Temporarily withdrawn.

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.

★ International Telo-Service Corp. (Del.)
Aug. 27 (letter of notification) 575,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For purchase of machinery, installation of electronic and business equipment, and for other general corporate purposes. **Office**—135 East 50th St., New York, N. Y. **Underwriter**—None.

★ Investment Trust of Boston
Aug. 27 filed 300,000 shares of beneficial interest in the Trust. **Price** — At market. **Proceeds** — For investment. **Underwriter**—None.

● Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

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.

★ Kiddieland, Inc. of Worcester, Dracut, Mass.
Aug. 27 (letter of notification) 200 shares of 5% cumulative participating preferred stock. **Price** — $200 per share. **Proceeds**—To erect a building to house amusement center. **Office**—50 Emerson Ave., Dracut, Mass. **Underwriter**—None.

★ Lad-E, Inc., Washington, D. C.
Aug. 26 (letter of notification) 300 shares of common stock (no par). **Price** — $50 per share. **Proceeds**—To produce model home, for advertising, etc. **Office**—1600 16th St., N.W., Washington, D. C. **Underwriter**—None.

Liquor Register, Inc., Roslindale, Mass.
July 3 (letter of notification) 2,100 shares of common stock (par $5). **Price**—$16.50 per share. **Proceeds**—For working capital for device to dispense and record drinks. **Office**—596 Poplar St., Roslindale, Mass. **Underwriter**—Coburn & Middlebrook, Inc., Boston, Mass.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

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.

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.

★ Mesa Oil Co., Inc., Wichita, Kan.
Aug. 28 (letter of notification) 75,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—To purchase leases, and to improve and drill wells. **Office**—1011 Bitting Bldg., Wichita, Kan. **Underwriter**—None. James A. Green, Sr. (Pres.) and James A. Green, Jr. (Treas.) to handle sales.

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.

★ Minerals Processing Co., Franklin, N. C.
Aug. 24 (letter of notification) 740,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—For equipment, leases, etc., and working capital. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

★ Mitchell Mining Co., Inc., Mt. Vernon, Wash.
Aug. 24 (letter of notification) 110,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development expenses and payment for milling privileges or purchasing a mill on time. **Office** — 212 Union Block, Mt. Vernon, Wash. **Underwriter**—None.

Mountain Fuel Supply Co. (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.

★ New York State Electric & Gas Corp. (9/18)
Aug. 28 filed 337,118 shares of common stock (no par) to be offered for subscription by common stockholders of record Sept. 17 at rate of one new share for each eight shares held; rights will expire Oct. 5. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—The First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane; all of 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 (9/9)
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.

★ Nyson Oil Corp., Oklahoma City, Okla.
Aug. 24 (letter of notification) $225,000 of eight-year 5½% notes and 135,000 shares of common stock (par 10 cents) to be offered in units of $500 of notes and 300 shares of common stock. **Price**—$530 per unit. **Proceeds**—For retirement of demand notes and for developing land. **Office** — Braniff Bldg., Oklahoma City, Okla. **Underwriter** — Paine, Webber, Jackson & Curtis, New York.

★ Pacific Gas & Electric Co. (9/21)
Aug. 26 filed 1,946,829 shares of common stock (par $25) to be offered for subscription by common stockholders of record Sept. 15 at rate of one new share for each seven shares held; rights to expire about Oct. 6. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Name to be supplied by amendment. Probably will be Blyth & Co., Inc., San Francisco and New York.

● 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 11:30 a.m. (EDT) on Sept. 15 at 195 Broadway, New York, N. Y.

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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.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices. It is contemplated plan will be placed in effect on or about Aug. 1, 1953.

Planter's Peat Corp., Coral Gables, Fla.
Aug. 6 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2.50) and 100,000 shares of common stock (par 50 cents) to be offered in units of one share of each class of stock. **Price**—$2.50 per unit. **Proceeds**—To liquidate liabilities and for working capital. Office—220 Miracle Mile, Coral Gables, Fla. **Business**—To process peat for fertilizer. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

★ **Portal Drilling Corp., Tucson, Ariz.**
Aug. 24 (letter of notification) 63,000 shares of common stock and 2,000 acres of oil and gas leases. **Price**—$1 per share and $6 per acre. **Proceeds**—To retire outstanding accounts payable and for lease rentals, material, drilling and testing. **Address** — P. O. Box 1651, Tucson, Ariz. **Underwriter**—None.

★ **Portland Gas & Coke Co.**
Aug. 26 (letter of notification) not exceeding 4,256 shares of common stock (no par) to be offered for subscription by employees. **Price**—At market (estimated at around $20 per share). **Proceeds**—To reimburse the company for purchases of shares in the open market. **Underwriter**—None.

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.

★ **Prugh Petroleum Co., Tulsa, Okla.**
Aug. 28 (letter of notification) 35,000 shares of common stock (par $5). **Price**—$8.50 per share. **Proceeds**—To pay loans. **Office**—907 Kennedy Bldg., Tulsa, Okla. **Underwriter**—None.

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.

★ **Raytheon Manufacturing Co., Waltham, Mass.**
Aug. 28 (letter of notification) 6,000 shares of common stock (par $5). **Price**—At market (estimated at $9.75 per share). **Proceeds**—For general corporate purposes. **Underwriters**—Percy L. Spencer (Vice-Pres. and Mgr.)—4,000 shares; and J. Ernest Smith (employee)—2,000 shares. These are shares acquired by them under the employees stock option plan and are being sold on behalf of the company.

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.

● **Selected Risks Indemnity Co.**
Aug. 13 (letter of notification) 8,500 shares of capital stock (par $10) being 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. (9/4)
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.

★ **609 South Grand Building Co., Los Angeles, Cal.**
Aug. 25 (letter of notification) 1,553 shares of common stock (par $1 to be offered for subscription by stockholders on a share for share basis. **Price**—$190 per share. **Proceeds**—For payment of trusts. **Office**—709-710 National Oil Bldg., 6th and Grand, Los Angeles, Calif. **Underwriter**—None.

Sky Ride Helicopter Corp., Washington, D. C.
July 22 (letter of notification) 10,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For office equipment and patents and taxes. **Office** — Suite No. 1, National Airport, Washington 1, D. C. **Underwriter**—None.

★ **Smith-Dieterich Corp.**
Aug. 27 (letter of notification) 7,849 shares of capital stock (par $2.50) to be offered to stockholders at rate of one new share for each 10 shares owned. **Price**—$5 per share to stockholders; $5.50 to public. **Proceeds**—For patent expenses, to buy photographic equipment, lenses and tools for fabricating parts and for working capital. **Office**—50 Church St., New York, N. Y. **Underwriter**—None.

Southeastern Public Service Co.
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. **Offering** — Expected today (Sept. 3).

Southern Union Gas Co.
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.

★ **Stamp Show, Inc. (N. Y.)**
Aug. 21 (letter of notification) $82,000 of 5% notes due Oct. 31, 1956, and 820 shares of capital stock (par $1) to be offered in units of $100 of notes and one share of stock. **Price**—$110 per unit. **Proceeds**—To produce two series of 13 shows, i.e., 26 films. **Business**—To produce a series of 15-minute films primarily adapted for use by television broadcasting stations. **Office**—35 West 53rd St., New York, N. Y. **Underwriter** — Mann and Gould, Salem, Mass.

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 (par $10), 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.

★ **Sterling Discount Corp., Atlanta, Ga. (9/15)**
Aug. 26 filed 60,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To pay off notes to individuals and for working capital. **Underwriter**—Courts & Co., Atlanta, Ga., and New York, N. Y.

★ **Stifel (J. L.) & Sons, Inc., Wheeling, W. Va.**
Aug. 28 (letter of notification) 37,000 shares of common stock (par $5). **Proceeds**—To three selling stockholders. **Office**—Fourth and West Sts., Wheeling, W. Va. Filing may be amended.

★ **Strategic Materials Corp., Buffalo, N. Y.**
Aug. 31 filed 198,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtednesss, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York. W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada.

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. (9/15)**
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.**
Aug. 26 (letter of notification) 1,700,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations, equipment, etc. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

★ **United States Air Conditioning Corp. (9/24)**
Aug. 28 filed 570,000 shares of common stock (par 10 cents), of which 100,000 shares will be underwritten (including 40,000 shares to be offered to employees and distributors and dealers at a fixed price to be supplied by amendment). The remaining 60,000 shares, plus any of the 40,000 shares not sold, will be offered for sale on the American Stock Exchange or over-the-counter market. An option has also been granted to Mortimer B. Burnside & Co., Inc., to acquire an additional 220,000 shares of stock (also to be offered for sale on the Exchange or over-the-counter market at the then prevailing market price). In addition the company proposes to offer 250,000 shares on March 25, 1954 to holders of its common stock purchase warrants which were sold on Feb. 26, 1953 in connection with the sale of 100,000 shares of common stock, the subscription price under these warrants being $3.06¼ per share. The underwriters have agreed to purchase the 100,000 shares at a price equal to the market, less 20%; and the option price to the underwriters for the 220,000 additional shares is the market price, less 17½%. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Mortimer B. Burnside & Co., Inc., and George F. Breen, both of New York.

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.

★ **Western States Agencies, Inc., Tucson, Ariz.**
Aug. 25 (letter of notification) 2,500 income participation units. **Price**—$100 each. **Proceeds**—For placing of policies of Western States Life Insurance Companies. **Office**—4133 East Speedway, Tucson, Ariz. **Underwriter**—None.

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.**
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-Missouri Power Co.
Aug. 27 it was announced company has applied to Arkansas P. S. Commission for authority to issue and sell $2,000,000 of first mortgage bonds, series E. This may be done privately. The proceeds will be used to retire bank loans and for construction program.

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.

★ Carrier Corp.
Aug. 25 it was reported company is considering means for financing expansion of its business, but amount and method is not now known. **Underwriters**—Harriman Ripley & Co., Inc., and Hemphill, Noyes & Co., both of New York.

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 Phila. (9/25)
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; rights to expire Oct. 13. **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).

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 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.

★ Hawaii (Territory of) (9/29)
Bids will be received on Sept. 26 for the sale of $5,500,000 public improvement bonds to mature serially from Sept. 15, 1956 to 1973, inclusive.

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.

★ Kansas Gas & Electric Co.
Aug. 26 the company applied to the Federal Power Commission for authority to issue and sell $10,000,000 of first mortgage bonds, due 1983, and 50,000 shares of serial preferred stock (par $100). **Proceeds**—To reduce bank loans and for construction program. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Harriman Ripley & Co., Inc. (2) For preferred stock, exemption from competitive bidding requirements sought. Bidders for last preferred stock issue were: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co., Inc. **Offering**—Expected in October.

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. **Registration**—Planned for Sept. 4.

★ National Bank of Detroit (Mich.) (9/24)
Aug. 27 it was announced company plans to offer 313,200 additional shares of common stock (par $10) to its common stockholders of record Sept. 24 on the basis of one new share for each five shares held; rights to expire on Oct. 15. **Price**—To be named later. Expected to be somewhat below the market price prevailing on Sept. 24, the day the stockholders are to vote on approving the new financing. **Proceeds** — To increase capital and surplus. **Underwriter**—May be Morgan Stanley & Co., New York.

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. **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.
Aug. 24 stockholders were to vote on authorizing an issue of 750,000 shares of preferred stock, of which it is planned to issue and sell 250,000 shares (par $100) this Fall. **Proceeds**—For expansion program. **Underwriter**—

Continued on page 34

Continued from page 33

Blyth & Co., Inc., handled recent common stock financing.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

● Pacific Telephone & Telegraph Co.
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. **Offering**—Not expected until the early part of 1954. (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.

★ Portland General Electric Co.
July 22, Thomas W. Delzell, Chairman, and James H. Polhemus, President, announced that financing of its 1953 construction program, which will range between $8,700,000 and $9,200,000, is being accomplished by means of bank loans under a credit arrangement which will mature in November, 1953. Repayment of the loans at maturity, plus the procurement of an additional $1,500,000 needed for the rest of the year, will be accomplished either by expansion of the credit arrangement or by the sale of first mortgage bonds. Previous bond financing was done privately through Blyth & Co., Inc.

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.

★ Reading Co. (9/15)
Bids will be received by the company up to 11 a.m.(EDT) on Sept. 15 at Room 423, Reading Terminal, Philadelphia 7, Pa., for the purchase from it of $3,420,000 equipment trust certificates, series V, to be dated Oct. 1, 1953, and mature $114,000 semi-annually from April 1, 1954, to and including Oct. 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—To retire bank loans (which at July 15 totaled $6,867,000) and for expansion program. **Underwriters**—For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders. **Offering**—Expected during the Fall of 1953.

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; Kidder Peabody & Co.

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

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.

United Gas Corp.
May 1 it was announced company (in addition to above mentioned proposed stock offering) plans to issue and sell about $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman Sachs & Co. (jointly). **Offering**—Expected later in 1953.

● Virginia Electric & Power Co.
Sept. 3 it was announced company plans to sell 558,946 additional shares of common stock later this year. At current market price, the sale would amount to about $14,000,000. **Proceeds**—For construction program. **Offering**—Probably in November or December of this year. **Underwriter**—May be 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.

★ Yates Uranium Co., Inc. (Canada)
Sept. 2 it was reported company plans to issue and sell 2,000,000 shares of common stock (par 1 cent). **Price**—15 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—Tellier & Co., New York.

Our Reporter's Report

Southern Bell Telephone Co. eked out a slight savings on its cost of borrowing $30,000,000 this week when it reoffered that amount of 24-year debentures for bids.

Back on May 5 the management rejected a top bid of 101.3099 for the issue to carry a 3⅞% interest rate. This made for an indicated net cost of 3.79% to the company.

Yesterday, on reoffering, the company received a top bid of 101.53 for the issue with bankers specifying a 3.75% rate, making the indicated net interest cost 3.65%.

The secondary market, in the interval, has taken on a slightly better tone, particularly since the Federal Reserve Board's action in easing the reserve requirements of member banks.

For a moment, it appeared that this issue was due to get away slowly much as had been the case with other recent emissions. But after about an hour, several banks which act for large trusts and pension funds came into the market and it was indicated that subscription books would close early.

The effect of this development on recently laggard issues was not immediately evident though it was expected that interest here also would quicken.

Reason for Lethargy

Bankers who follow the market situation closely are satisfied that the prevailing indisposition of institutions to come into the market for new issues does not reflect any real dissatisfaction with the merchandise being offered.

On the contrary, it is pointed out, the trouble appears to be their inability to get a quorum of committees which must act in such matters. Vacations have cut heavily into the higher echelons at the moment, it is noted.

This observation is based on experience with direct placements in the last fortnight. Sponsors of such undertakings know the institutions want them. They have, in fact, made their positions known. But for the moment absenteeism is the major factor. With the impending holiday out of the way things are expected to pick up.

Rush Looms Ahead

Unless there is some revision of current plans in the interval, underwriters will be facing a formidable task at mid-month what with a rash of new emissions slated for marketing and bids.

From Sept. 14 to 17 inclusive, they will be engaged either in marketing or bidding for a total of some $289,000,000 in debt securities, plus five equity undertakings of substantial proportions.

Largest of the new debt issues in the list is General Motors Acceptance Corp.'s $150,000,000 of eight-year debentures now tentatively scheduled to reach market via the negotiated route, on Sept. 15.

Other Large Issues

Next in size is Pacific Telephone & Telegraph Co.'s $50,000,000 of 31-year debentures on which bids will be opened the same day.

Westinghouse Air Brake Co.'s $35,000,000 of 25-year sinking fund debentures is slated for marketing also on Sept. 15 by negotiation.

On the 14th Tennessee Gas Transmission will be in the market with $20,000,000 of new 20-year debentures and on the same day Public Service of New Hampshire will open bids for $7,000,000 of 30-year bonds.

On Sept. 16, bankers will offer publicly $15,000,000 of 20-year debentures of the Stauffer Chemical Co. and Louisiana Power & Light will receive bids for $12,000,000 of new 30-year mortgage bonds.

Halsey, Stuart Group Offer Telephone Bonds

Offering of $30,000,000 Southern Bell Telephone & Telegraph Co. 34-year 3¾% debentures due Sept. 1, 1977, at 102.07% and accrued interest, to yield 3.62%, is being made today (Sept. 3) by Halsey, Stuart & Co. Inc. and associates. The group won award of the issue at competitive sale yesterday (Wednesday) on a bid of 101.53%.

Net proceeds from the financing will be applied by the company toward the repayment of advances from its parent company, American Telephone & Telegraph Co. These advances amounted to $58,000,000 on July 31, 1953. Advances from the parent company are obtained under an established practice of the subsidiary, and are used for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures will be redeemable at the option of the company, in whole or in part, at prices ranging from 105.07% to par, plus accrued interest.

Southern Bell Telephone & Telegraph Co. is engaged in furnishing communication services, mainly local and toll telephone service, in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee. On June 30, 1953, the company had 4,109,240 telephones in service and was furnishing local service in 1,027 exchange areas. Services of the company also include teletypewriter exchange service, mobile radio-telephone service, rural line switching service, and service and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

Unaudited figures on the company's operations for the six months ended June 30, 1953 showed total operating revenues of $213,287,263 and net income of $26,252,189, equal to $3.95 per share, based on the average number of shares outstanding.

DIVIDEND NOTICE

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable October 1, 1953 to stockholders of record at the close of business on September 15, 1953.

Common Stock

A quarterly dividend of $0.15 per share on the Common Stock, payable October 1, 1953 to stockholders of record at the close of business on September 15, 1953.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS
Vice-President & Secretary

Joins Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Lotis T. Vogel has become affiliated with Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Los Angeles Stock Exchange.

Smith, Ramsay Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Robert W. Winton has been added to the staff of Smith, Ramsey & Co., Inc., 207 State Street.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Raymond J. F. Liptak is now associated with King Merrit & Co., Inc.

With Income Funds, Inc.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Joseph R. Stone is now with Income Funds, Inc., 152 Temple Street.

DIVIDEND NOTICES

DOME MINES LIMITED

August 27, 1953

DIVIDEND NO. 144

At a meeting of the Board of Directors of Dome Mines Limited, held this day, a dividend of Seventeen and One-Half Cents (17½c) per share (in Canadian Funds) was declared payable on October 30, 1953, to shareholders of record at the close of business on September 30, 1953.

CLIFFORD W. MICHEL,
President and Treasurer.

AMERICAN METER COMPANY

Incorporated

1513 RACE STREET

Phila. 2, Pa., Aug. 27, 1953

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable September 15, 1953, to stockholders of record at the close of business September 3, 1953.

W. B. ASHBY, *Secretary*.

ANACONDA

DIVIDEND NO 181

August 27, 1953

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable September 29, 1953, to stockholders of record at the close of business on September 8, 1953.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

AMERICAN MACHINE AND METALS, INC.

39th Dividend

A **QUARTERLY** dividend of **25¢** a share and

An **EXTRA** dividend of **25¢** a share will be paid concurrently on September 30, 1953 to shareowners at the close of business on September 16, 1953.

H. T. McMeekin, *Treasurer*

DIVIDEND NOTICES

LONG ISLAND LIGHTING COMPANY

Notice of Quarterly Dividends

The Board of Directors has this day declared the following quarterly dividends, each payable October 1, 1953, to stockholders of record at the close of business September 11, 1953.

Preferred Stock, 5.25%, Series A
Dividend of $1.3125 per share.

Preferred Stock, 5%, Series B
Dividend of $1.25 per share.

Preferred Stock, 5.25%, Series C
Dividend of $1.3125 per share.

VINCENT T. MILES
August 26, 1953 *Treasurer*

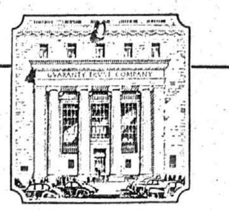
ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of the Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable October 1, 1953 to Preferred Stockholders on record at the close of business September 15, 1953.

August 26, 1953
Paul Raibourn
Treasurer

DUMONT

In All Phases of Television



New York, September 2 1953

The Board of Directors has this day declared a quarterly dividend of Seventy-five (75) Cents per share on the Capital Stock of this Company for the quarter ending September 30, 1953, payable on October 15, 1953, to stockholders of record at the close of business September 15, 1953.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

DIVIDEND NOTICES

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 225

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable October 1, 1953, to holders of record at the close of business September 4, 1953.

J. H. MICHAELI,
August 25, 1953 *Treasurer*

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.

GD GENERAL DYNAMICS

Dividend Notice

A quarterly dividend of 75¢ per share has been declared on the Common Stock of the Corporation payable Sept. 10, 1953 to share owners of record at the close of business Aug. 14, 1953.

CHARLES P. HART
Secretary & Treasurer

New York, New York, July 30, 1953

GENERAL DYNAMICS CORPORATION
445 Park Ave., New York 22, N. Y.

EB ELECTRIC BOAT — CL CANADAIR LIMITED — ED ELECTRO DYNAMIC

DIVIDEND NOTICES

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 151

The Board of Directors on August 19, 1953, declared a cash dividend for the third quarter of the year of 55 cents per share upon the Company's common capital stock. This dividend will be paid by check on October 15, 1953, to common stockholders of record at the close of business on Sept. 15, 1953. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

San Francisco, California

ROME CABLE Corporation
ROME · NEW YORK

58th Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 58 for 35 cents per share on the Common Capital Stock of the Corporation, payable October 1, 1953, to holders of record at the close of business on September 10, 1953.

GERARD A. WEISS, Secretary
Rome, N. Y., September 2, 1953

THE West Penn Electric Company
(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

55¢ PER SHARE

Payable September 30, 1953
Record Date Sept. 14, 1953
Declared September 2, 1953

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

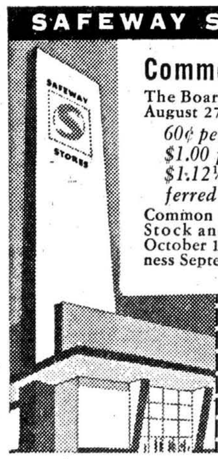
CF&I

THE COLORADO FUEL AND IRON CORPORATION

At a meeting of the Board of Directors of The Colorado Fuel And Iron Corporation, held in New York, N. Y., on August 27, 1953, the regular quarterly dividend on the common stock of the corporation in the amount of thirty-seven and one-half cents per share, was declared, together with the regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock in the amount of sixty-eight and three-quarters cents per share, all payable on September 30, 1953 to stockholders of record at the close of business on September 4, 1953.

D. C. McGrew
Secretary

SAFEWAY STORES, INCORPORATED



Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on August 27, 1953, declared the following quarterly dividends:

60¢ per share on the $5.00 par value Common Stock.
$1.00 per share on the 4% Preferred Stock.
$1.12½ per share on the 4½% Convertible Preferred Stock.

Common Stock dividends and dividends on the 4% Preferred Stock and 4½% Convertible Preferred Stock are payable October 1, 1953 to stockholders of record at the close of business September 16, 1953.

MILTON L. SELBY, *Secretary*
August 27, 1953

LIBRARIAN, SAFEWAY STORES, INCORPORATED
P.O. Box 660, Oakland 4, California
Please send copy of your 1953 Semi-Annual Report

Name ____________
Street ____________
City ____________ Zone ____ State ____

C.I.T. FINANCIAL CORPORATION
DIVIDEND NO. 124

A quarterly dividend of $0.45 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1953, to stockholders of record at the close of business September 10, 1953. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

August 27, 1953.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Something interesting and something hitherto unexpected is likely—eventually—to come out of the prospective study of world trade financing which has been undertaken by the Senate Banking Committee.

This study is expected to run over a considerable period of time. It may even go on for two years. It would not even be affected by a change in the organization of the Senate, if such took place either next January because of vacancies or the following January because of the 1954 Congressional elections.

This is because both Chairman Homer E. Capehart (R., Ind.) of the Committee and Senator Burnet R. Maybank (D., S. C.), the ranking minority member, are united on this enterprise, as they were as a matter of fact, on standby controls and most things during the first session of the 81st Congress.

The huge 75-man business, banking, and labor Advisory Committee, is slated to meet Sept. 15 with the Banking Committee. After that the study will proceed, it is expected, at the staff level, with Banking Committee staff, and experts from business, labor, and banking, furnishing memoranda and suggestions to the Committee.

So public hearings, tentatively, will not even begin until Congress meets next January. Hence the Senate Banking Committee study at this stage appears to be no quickie build-up for some preconceived plan of facilitating the financing of foreign trade; i.e., financing exports of U. S. merchandise.

Has Long-Range, Short-Range Plans

This study has as its long-range goal, the finding of the best ways possible to finance exports of U. S. merchandise. It is the Committee thinking that unless exports can be maintained at a high level, production and prosperity in the United States cannot be maintained at a high level also.

It is asserted, however, that the Committee is not in posession of any brand new or brilliant idea about new financial mechanisms that can be pulled out of the hat and offered. As the Committee continues along for a couple of years with its studies, it hopes that financial and economic opinion will draw the bead on the target as to what is the best feasible means of financing exports without giving them away.

Short-range, the Committee is aiming at making a thorough study of the Export-Import Bank. This study is to shed light on two factors.

One of these is to ascertain to what extent the Export-Import Bank has been varying from its statutory function of financing exports and imports. For a long time there has been a large suspicion in Congress that the Export-Import Bank has been into, or on the fringe of "political lending," meaning making loans to butter up countries that the Administrations have wanted to butter up for foreign or domestic political considerations.

The Committee also wants to see how much of the bank's resources have been engaged in bailing out creditors in other countries. There is no particular criticism of the sudden $300 million loan made to Brazil early in the Eisenhower Administration by the Export-Import Bank, but the question will be, how many of these have been made, and should this now be a regular part of the Export-Import Bank business?

Dislikes Export-Import Reorganization

There is also intense suspicion of the desirability of President Eisenhower's reorganization of the Export-Import Bank, abolishing its board of directors and placing its management under a Managing Director. That the latter official is not even a member of the National Advisory Council — the coordinating Administration Committee on foreign financial policy—is also a subject of private criticism from members of the Committee.

It is feared that this particular reorganization places the Export-Import Bank under the thumb, in effect, of the Treasury and State Department jointly. The State Department angle might encourage political lending. The Treasury angle might discourage the bank from making loans for the purposes for which Congress authorized the money.

Or if this is not the case, the Committee wants to make sure it isn't.

Ike Isn't Prejudging

President Eisenhower has commissions studying, among many other things, the future trade policy of the United States, and the future of foreign aid.

Some of the press reports throughout the country have given a slant to various reports in recent weeks which suggested that the President was, as it were, prejudging those issues before the commmisions of experts render their reports.

One of the most notable of these reports was the semi-annual report of the Mutual Security Administration. Newspapers throughout the country blazoned the stories on this report as saying President Eisenhower had declared that heavy foreign aid must go on indefinitely.

All President Eisenhower himself contributed to this report was a two-paragraph transmittal to the Congress. The rest of the report represents the fine hand of that one-time political boy wonder, Harold Stassen, now Administrator of the foreign aid program.

Harold got this job of Administrator in part for switching Minnesota's 1952 Republican convention vote from himself to Eisenhower on the first ballot, and thereby denying the late Senator Taft the courtesy of a second ballot defeat in his candidacy for the Republican nomination.

Members of Congress of such influence as the Senate Democratic Leader Lyndon Johnson of Texas, have said that this is the last foreign aid program for which they will vote if Europe doesn't show far better results in rearming than thus far. Congress MAY continue foreign aid in some form, but it is quite likely to revamp the administrative and legal basis therefore, offering the possibility of political insecurity to Mr. Stassen.

Emphasizes U. S. Tariffs

Reports on the study by Lewis W. Douglas, U. S. Ambassador to Great Britain under Mr. Truman, played up the angle that the U. S. must lower its trade barriers to help the Sterling area.

It is true that throughout his report, Mr. Douglas appeared to observers to have the usual softness ex-Ambassadors to Great Britain have for the British viewpoint on this matter. On the other hand, Mr. Douglas emphasized at considerable length—if only in rather painless generalities—that most of Great Britain's dollar problem was something which she and the Sterling Area had to solve privately themselves.

Estimate Budget To Suit Needs

On Aug. 1, Secretary George M. Humphrey appeared in executive session before the Senate Finance Committee, to plead for legislation boosting the Treasury's borrowing power by $15 billion.

Upon the insistence of Senator Harry F. Byrd (D., Va.), that the Administration's best estimates be submitted as to spending, Mr. Humphrey stuck to the May 20 Eisenhower Administration estimate of $74.1 billion, for the present fiscal year as a whole.

Incidentally, Mr. Humphrey on Aug. 1 then gave a month-by-month breakdown on spending showing a reduction in the monthly rate of spending by only $117 million from the first to the last half of the present fiscal year, and the budget nowhere near balance next June 30.

After President Eisenhower's message May 20 asking for, among other things, continuation of the Excess Profits Tax, Mr. Humphrey held a huge press conference in which he promised that, barring a new emergency like Korea, month-by-month this fiscal year expenditures would be steadily reduced to the point where on June 30, 1954, the rate of spending (not the budget for fiscal '54) would be equivalent to revenues, and the budget would thereafter be in balance.

From Aug. 1 to Aug. 27, when the "mid-summer" budget review came out, the Budget Bureau reduced the Administration's spending estimate by $2 billion for the current year, lowered its revenue estimates by $200 million, and so came out with a projected revised Eisenhower estimate of $3.8 billion of deficit for the current year, $1.8 billion lower than estimated May 20.

Big news in connection with the budget revision is that the Eisenhower Administration indicated it will ask for revenues to replace ALL of the $8 billion of revenues to be lost from tax rates due to expire on statutory schedule. The budget estimates assume success with Congress on this enterprise.

(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

"He's on the 58th floor—just follow your nose!"

Proposes End of Federal Tax Snooping

Rep. Philbin of Massachusetts says he will act to halt door-to-door hunt for Federal income tax delinquents.

According to an Associated Press dispatch, Congressman Philip J. Philbin (D. Mass.) stated in Clinton, Mass. on Aug. 31 that he will take action at the next session of Congress to halt the Internal Revenue Bureau's door-to-door hunt for Federal income tax delinquents.

Rep. Philbin made the statement that a field survey "constitutes an abhorrent method of tax gouging and snooping and smacks of the Gestapo and Ogpu methods of the police state."

Mr. Philbin said that in answer to his protest against the door-to-door canvass, regional Internal Revenue Commissioner Wilber A. Gallahan told him that the canvass would go on "with a view to determine the real extent to which delinquency exists and the best means of reducing it."

"The Internal Revenue Bureau is apparently determined to go forward with this 'police state' campaign," Mr. Philbin said. "When Congress reconvenes, we will deal with the matter."

Business Man's Bookshelf

Company Practices in Marketing Research—Richard D. Crisp—American Management Association, 330 West 42nd Street, New York 36, N. Y.—paper—to members $1.75, to non-members, $2.50.

Dynamic Wage Policy for Industry's Coming Growth, A. —Eddy - Rocker - Nickels Company, Harvard Square, Cambridge 38, Mass.—paper—50c.

Regulations Relating to Foreign Funds Control in the United States —Supplement 10—Bank for International Settlements, Basle, Switzerland—paper—Sw. francs 2 (price of the main work with ten supplements Sw. francs 32.-).