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EDITORIAL

As We See It

Certain general conclusions long familiar to close students of such matters have emerged with greater clarity from recent discussions of our foreign economic policies. One of these is that no matter how liberal we are in admitting foreign goods into our home markets, the problem of what is commonly called the dollar shortage will remain in one degree or another—other conditions and circumstances remaining unchanged.

If we are to continue to send our wares abroad in what we have come to regard as normal amounts and get paid for them, we shall have to leave very substantial amounts of these earnings abroad each year invested in various ways in foreign countries. In the normal course of economic events we should be increasing our holdings abroad for a good many years to come. This may even be true were we no longer to continue net exporters on merchandise account. It is certainly true if we are to continue to ship so substantially of our output to foreign peoples.

But further growth of American investment abroad will be — and ought to be — definitely limited until basic conditions are more favorable than is the case today. Pursuant to an earlier mandate by Congress, the Department of Commerce has been making a detailed "study of factors limiting American private foreign investment." Part I of its findings appeared some weeks ago. Now comes a "Summary of Preliminary Findings and Recommendations." Complete agreement by all with the Department at all points is hardly to be expected. Certainly, there are a number of statements and apparent impli-

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The Farm Program And Farm Earnings

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Denying present high price support program is helping farmers earn too much income, Secretary Benson contends average income of farm persons is now less than half as much as that of non-farm people. Says farmer is handicapped by wide swings in prices of agricultural products and the competition of industries in obtaining labor. Reveals educational research and study program to find solution of price support difficulties. Reiterates purpose of "less dependence of farmers on government."

Much of our present economic strength is due in large part to the contribution of our agricultural industry. Do you realize that today only about one person out of nine in our total civilian labor force is engaged in agriculture? Compare that with other countries in which half the labor forces, or three-quarters, or even seven working persons out of eight are tilling the land.

Ezra Taft Benson

Where would we look for the manpower, the inventive genius, and the management to build our cars, to mill our steel, to construct our cities, to generate our electricity, to mine our coal, to float our ships, to fly our planes, to man our service industries —if we today had one-third or one-half or more of our working force engaged in farming as in times past we did?

Agriculture has contributed mightily to the well-being of America.

And this happens to be one of the blessings we all take for granted.

How many of us realize, for example, that an industrial worker in this country last year could buy as much food

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*An address by Secretary Benson before the Darlington County Agricultural Society, Mineral Springs, South Carolina, Sept. 1, 1953.

General Business Outlook

By EARLE L. RAUBER*
Vice-President and Director of Research, Federal Reserve Bank of Atlanta

Stating that the real problem of the business analyst is to be right at the right time, Federal Reserve bank economist discusses various "business barometers," and concludes economic side of life is not autonomous, but is profoundly affected by political and social forces "that cannot be imprisoned in any statistical formula." Says, despite high level of business, all is not sunshine, and points to current agricultural "squeeze" which can spread to industry. Holds present potential industrial capacity is greater than market can absorb. Sees possibility of lowered profit margins.

I

An individual businessman tends to appraise the general business outlook from the standpoint of that for his own business. If the latter looks good, he tends to view the general situation through rosy glasses; if it looks bad, his appraisal of the general situation will tend to be pessimistic.

Earle L. Rauber

In either case, however, the businessman is, or should be, well aware that his individual prospects depend only in part upon his own activities. To a much larger extent they depend upon the general level of business activity in the community or trade area that he serves. He knows, too, that his community is not an island, but that its economic prospects depend in large part upon the rise or fall of business throughout the nation and the world. Because of the local conditions under which he does business, however, he will likely overestimate the forces at work in his own community and underestimate the degree to which these are dependent upon more general conditions.

The economist, or business analyst, is in the opposite position. He looks at things through the other end of the telescope. He is primarily concerned with the

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*An address by Mr. Rauber at the Alabama Bankers Study Conference, University of Alabama, Tuscaloosa, Ala., Aug. 12, 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 34.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

ISKANDER HOURWICH

Partner, Hourwich & Co., N. Y. City

Telephone Bond and Share Company

In recent years, increasing investment attention has been attracted to the securities of the independent telephone industry. Long neglected because of lack of public knowledge, these securities offer a remarkable opportunity to obtain many of the qualities most sought after in investments; notably, stability of income, generous return and possibility of growth.

Iskander Hourwich

About one telephone of every six in the United States is owned and operated by an "Independent" or non-Bell company. There are some 5,200 of these. Bell operates principally in the larger metropolitan areas, whereas the independents actually serve about twice the area in the remainder of the United States and twice as many communities.

The change in social habits of Americans since the war—young people prefer to rear families in the country where living is pleasanter, more spacious, and perhaps cheaper—has resulted in what is virtually a mass movement of the population to those areas served by the independents. This new population looks on the telephone as a necessity, which in fact it is in those areas. Also it is a necessity which is low in cost and virtually within the economic range of everyone.

It is this new social attitude which makes the telephone business a "growth" industry with great potentialities. In the last seven years, the backlog of unfilled orders for telephone service has been little reduced, though in the intervening period, telephone plant has been expanded to serve more than an additional 50% of customers.

This spectacular growth, at a rate itself about five times as great as the population growth, has created some problems. Capital has to be raised to finance this expansion. And it has been forthcoming from the large insurance companies which were quick to appraise the soundness of such credits.

The equity shares have been less well know, though on the basis of market price generous returns are available even in those companies maintaining a conservative payout policy.

It is for this reason that the shares of the Telephone Bond and Share Company, both preferred and common, are believed to be outstandingly attractive.

Telephone Bond and Share Company is second in size only to the General Telephone Corp. At the close of 1952, a total of 442,377 stations were served in 17 states of the rich Midwest and the South. The population directly served is estimated to be 1,250,000, including such important medium sized communities as Terre Haute and Fort Wayne, Indiana, Durham, North Carolina, Grinnell, Iowa, Portsmouth, Ohio, Columbus, Missouri and numerous others.

The system has in operation 22,000 miles of toll circuits, and as in the case with all independents, complete inter-connection with the Bell long distance toll lines exists.

The company had long been burdened with an unwieldly high dividend preferred stock issue on which substantial arrearages had accrued, preventing necessary equity financing. A voluntary recapitalization was approved by the shareholders and consummated July 15, 1953. This created two new classes of shares, where formerly four had existed; a new $20 Par Value, Five Precent Cumulative Preferred, currently quoted about 15½-16, at which price the yield is about 6.25%, and a new $1 Par Value Common stock, quoted about 13½-14.

There will be initially outstanding 333,061 of the new preferred shares and 650,000 of the common.

The company reported total assets at Dec. 31, 1952 (unconsolidated) of $93,472,943. Growth of the last two decades was entirely out of retained earnings and sale of a limited amount of securities by operating subsidiaries. As a result, while the financial position of the system's components is good, growth and modernization have been retarded. The newly simplified capital structure will permit future equity financing as needed and should result in rapid modernization, and consequently improved rates and earnings.

The new common stock the company has stated, on a pro-forma basis earned $1.11 in 1952 and an average of $1.26 for the past three years. However, early in 1953, rate increases were received by four subsidiaries totaling $1,612,000. Furthermore, an agreement recently reached between the independents and the Bell System on compensation to the independent companies for toll traffic interchanged, will result in further substantial increases in the company's gross.

It is anticipated that earnings on the common might reach $1.75 per share this year. In ensuing years, this figure might be expected to increase. Though initially no dividend on the common should be expected, eventually the return on the present market price might prove handsome, since a 60 to 70% payout on telephone securities is generally considered conservative. (Bell pays out more.)

Thus, the common has attractive long-term possibilities for those not seeking an immediate return, while the preferred with a past dividend coverage of over three times seems under-priced as compared with securities of similar investment quality. The securities are traded in the over-the-counter market.

KILIAEN V. R. TOWNSEND

President, Dixie Radiant Glassheat Co., Atlanta, Georgia

Lunn Laminates, Inc.

Reinforced glass fiber plastic is a relatively new field which from all indications is destined to have a tremendous future. Some authorities are even predicting that this industry will in time reach a volume equal to one-half that of the steel market, a sizable business indeed.

K. V. R. Townsend

This material, consisting of glass fiber bonded together with plastic resin, is lighter than aluminum and stronger than steel pound for pound. One of the most durable materials available for fabrication of parts and industrial equipment, it is highly resistant to corrosion, easily formed into complex contours, immune to the inroads of water, highly resistant to abrasives and chemicals. This amazing combination of advantages along with its dimensional stability and its excellent insulating and electrical properties, makes it a most remarkable and promising material for many applications and uses.

It has made substantial inroads in the relatively few fields in which it has been introduced. Since it sheds bullets better than the toughest steel, the military is using it for combat body armor and helmets. Radar housings, nose and tail cones for guided missiles, wing and fin tips for military and commercial planes, surfboats, sailboat hulls and marking buoys are some of the more important uses already developed and very likely to be taken over to a large extent by glass fiber reinforced plastics.

An example of almost 100% domination only a few short years after its introduction is the ordinary fishing rod where steel rods are now virtually outmoded. And the tremendous market ahead is indicated by the fact that it is moving into the industries which themselves are tremendous volume producers. Television and air conditioning cabinets, bathtubs, and perhaps of the greatest long-term significance, auto and truck bodies of this material are already in actual production. Its use to an ever increasing extent in these and other applications appears virtually assured, for it does not dent, and ruptures may be repaired quickly and easily with the same materials. Laminates with glass fiber reinforcement can be turned on a lathe, drilled, sawed or milled with standard metal working tools. Any color desired may be imparted into the product during the molding operation, and automotive primers and finishes can be applied successfully to the smooth hard surfaces. If reinforced glass fiber plastics gain a reasonable percentage in these markets alone, it will enjoy an enormous dollar volume. Its position may be compared today to

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Our Trade Policy

By JOHN S. COLEMAN*
President, Burroughs Corporation

Asserting time has come for taxpayers to demand end of European emergency assistance, prominent industrialist holds, in order to practice what we preach, we should remove tariff barriers to permit world to trade with us. Argues against compensating tariffs and points out export industries employ workers at higher wages than protected industries. Wants tariffs gradually reduced.

Tonight I want to talk about a problem which many regard as one of the most critical of our time; I mean that of trade policy. For circumstances have brought this issue to the point when decisions, vital to the free world, and to Main Street, can no longer be postponed. I say that decisions must be made. And they will in fact be made in the next few months; but unless the great mass of American citizens make their views known, they may well be the wrong decisions.

John S. Coleman

The facts are well-known to all of you. Since 1946 the United States Congress has voted over thirty-five billion of foreign aid. There is no doubt that this aid was essential to the rapid reconstruction of Western Europe. But the time was bound to come when the American tax payer would demand an end to emergency assistance and, indeed, when the Europeans themselves would not wish to continue in the role of recipients of welfare. That time is now here. Yet, it is still true that the economies of Western Europe have not solved their balance of payments problems. Though foreign aid is tapering off, the need of overseas countries for American goods remains. How then are they now to pay for dollar imports? The answer is simple—by buying them with the dollars they could earn in our market.

For years we have preached to them about the virtues of free enterprise. We have held up the competitive American way of life as the means to greater productivity. To a large degree, our foreign aid programs were directed to encouraging imitation of our methods. Now, with the end of the program in sight, they can rightly expect us to allow them to sell the products of their rebuilt industries under terms which we ourselves have defined, namely, free competition. This course of action is required not only by common sense economics, but also, surely, by the moral obligation to practice what we preach.

However, in the past twelve months there has been a mounting pressure on Congress for higher tariffs. Indeed, the present protectionist drive has been described as the strongest and best coordinated of its kind in the last decade. Though the Reciprocal Trade Agreements Act was extended, action came only after a long battle. The protectionist Simpson bill was rejected. For that we can be grateful. But the Trade Agreements Act as it now stands, is so hedged with ands, ifs and buts that it is no longer an effective instrument for freeing trade. Instead of moving forward, we have been lucky to stand still.

The issue then still remains to be resolved. The Trade Agreements Act has been extended pending the report of a seventeen-man Commission. That Commission, as you know, is to be headed by Clarence Randall of Inland Steel and they will shortly begin their work. Much will hang on their recommendations. What is the real interest of the United States? That is the question to be determined. And it is that question I would like to discuss with you tonight.

Arguments for Freer Trade

There are two crucial arguments for freer trade, both of them are of very great importance. The first has to do with the progress of the American economy, with a continued rise in your standard of living and mine.

In this country, as we have so often told the world, we believe in free competition. Under this system every business must compete in the market for the consumer's dollar. So, if Henry Ford can persuade the consumer that the automobile is a much better vehicle than the buggy, we all agree the consumer's wish must be respected. The buggy manufacturers must unfortunately give way to the Model T. Similarly, if the consumer indicates that he prefers more television sets and fewer movie seats, that judgment too must be respected. Or, better still, we will applaud the competitive reaction of Hollywood with its experiments in cinerama and other ways to get their audiences back. In short, we accept the necessity of a readjustment. If a new industry is expanding at the expense of another, we see in it nothing but a better use of American resources, of American labor and capital.

Of course, those readjustments sometimes hurt. There may be unemployment in Hollywood just as there probably was in the towns that used to make buggy whips. Movie producers may have to look around for new products just as did those who made harness and carriage lamps. But do we protest? Certainly not. For the whole nation grows richer as pop-

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*An address by Mr. Coleman before the Central States School of Banking, University of Wisconsin, Madison, Wis., Sept. 2, 1953.

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Canada's Economic Growth Since 1939

By JAMES R. CLARKE*

Vice-President, The Dominion Securities Corporation

Canadian investment banker reviews recent economic growth and expansion of Canada, and notes change from a primarily agricultural to a predominantly industrial economy. Lays much of Canada's economic prosperity to discovery and subsequent development of new natural resources, such as crude oil and high-grade iron ore, these raw materials stimulating a chain reaction in the development of old manufacturing industries as well as the formation of new industries. Points out the years 1946-1953 saw greatest capital expansion period in Canada's history, a development aided by domestic and foreign investment in Canadian securities.

My subject for convenience will be divided into three principal parts: (a) Evidences of Canada's Changing Economy Since 1939; (b) Certain Underlying Conditions Contributing to the Changing Economy; and (c) An Examination of Canada's Growth Industries.

Evidences of Canada's Changing Economy Since 1939

Although the principal object is to examine through facts and figures the changes which have occurred since 1939, particular emphasis will be centered upon the postwar period, that is the years 1946-1953, inclusive. While this latter period has been featured by the greatest capital expansion in the history of Canada there are certain underlying trends which must be understood as a background.

James R. Clarke

(1) **The Change from an Agricultural to an Industrial Economy:** According to the official figures of National Income for 1953, 40% was derived from the manufacturing, construction and mining industries as compared with only 12% from agriculture. Comparable figures for 1926 were 28% for manufacturing, construction and mining and 19% from agriculture. In 1952 manufacturing alone was the source of 30% of the total National Income, a ratio which is slightly higher than in the United States. Between 1939 and 1953 the population of Canada increased from 11,263,000 to 14,692,000, a gain of approximately 30%.

(2) **The Gross National Product as a Measure of Canada's Growth:** (a) The Gross National Product which is compiled in a similar fashion to the Gross National Product in the United States amounted to $23.0 billion in 1952 as compared with $12.0 billion in 1946, $5.7 billion in 1939 and a previous high of $6.2 billion in 1929. The 1952 figure is four times 1939 and even taking into consideration changes in the value of the dollar the 1952 figure is more than double Canada's Gross National Product for 1939 and 1929.

(b) While the increase in the Gross National Product between 1939 and 1952 was only slightly higher in Canada than in the United States, the change in the postwar years clearly shows Canada's more rapid rate of development. The increase in the Gross National Product between 1946 and 1952 was 92% in Canada and only 64% in the United States.

(3) **Comparison of Selected Statistics of Growth:** An examination of the detailed indices and actual figures of the Dominion Bureau of Statistics throughout the entire period under discussion will clearly substantiate the comprehensive nature of Canada's expansion particularly since 1946. References will be made in an Appendix to the various documents which publish these statistics. The use of these statistics in this article will be limited as follows:

(a) In the detailed discussion of various industries certain figures will be given which clearly show that the growth is not only in dollar figures but also in figures of physical volume of production and distribution.

(b) In order to get a quick comparison with the prewar level and the years 1952 and 1953 the data in Table I is believed to be helpful.

TABLE I

	Unit	Monthly Average 1939	Monthly Average 1952	April 1953
Index of Industrial Production	1935-1939	109.7	232.9	256.1
Manufacturing	1935-1939	108.1	246.3	272.6
Mining	1935-1939	118.0	174.7	176.8
Index of Employment	1939 = 100	100.0	184.7	181.8
Average Weekly Earnings	dollars	23.44	54.13	57.31
Labor Income	millions of $	215.00	906.00	928.00
Retail Trade	millions of $	*287.00	942.00	1,016.00
Consumer Price Index	1949 = 100	63.2	116.5	114.4
Wholesale Price Index	1935-39 = 100	100.6	248.2	234.4
Domestic Exports	millions of $	77.10	358.40	301.10
Imports	millions of $	62.60	335.90	360.10
†Federal Revenues	millions of $	504.00	3,981.00	4,375.00
†Federal Expenditures	millions of $	552.00	3,733.00	4,327.00

*1941 figure. †Total for fiscal years ended March 31.

(4) **Increase in the Gross Domestic Investment:** The amount of the gross national income of a country which is utilized in new capital investment in housing, plant and equipment is one of the best indicators of economic expansion. Between 1946 and 1953 almost $30 billion was invested in gross domestic investment in Canada. The revised figure for 1953 of $5.6 billion compares with $5.1 billion in 1952 and only $1.7 billion in 1946. A few observations regarding such capital investment in Canada are as follows:

(a) The figure of $5.1 billion in 1952 was 22.2% of the gross national product and if approximately $2 billion expended on repairs and maintenance is added it would amount to approximately 31%. This is at a considerably higher rate than in the United States.

(b) The estimated 1953 figure of $5.6 billion compares with an average of $3.7 billion for 1946-1953, $1.4 billion in the war years 1940-1945, $0.6 billion in the recovery years 1934-1939 following the depression and $1.2 billion during the 1926-1929 expansion period.

(c) Of the total capital expenditures between 1946 and 1953 of $29.7 billion, $21.9 billion, or 74%, was expended from private sources and $7.8 billion by the Federal, provincial and local Canadian governments. Of the public expenditures $2.6 billion was for utilities, $1.3 billion for housing and $3.9 billion for various government departments.

(d) During the entire period 1939-52 Canada's balance of international indebtedness, that is the excess of liabilities to other countries over Canada's external assets, decreased from $5.5 billion to $4.7 billion. This indicates that the domestic creation of new capital was more than sufficient to carry on the entire domestic expansion and development. This does not mean, however, that the foreign investment in Canada particularly from the United States has not increased particularly in recent years but it does mean that the increase in gross external assets over the entire period was even greater.

(5) **The Changing Nature of Canada's Foreign Trade:** Over the years there have been many changes in Canada's foreign trade. This is true not only from the standpoint of total trade which has increased from $1.7 billion in 1939 to $4.3 billion in 1952 but also in the changing character of exports and imports. Some of these important changes are as follows:

(a) Of Canada's total foreign trade in 1952, 63% was with the United States and only 19% with British Commonwealth countries, a distinct change even from 1939 when the ratio was 52% and 40%.

(b) The nature of Canada's exports has changed materially in the last 40 years. In 1914, 63.2% of total exports were raw material and only 36.8% partially manufactured or fully manufactured goods. In 1951 only 29.6% of the total exports were raw material and 70.4% partially manufactured or fully manufactured goods.

(c) In 1952, 19% of Canada's Gross National Product was derived from exports in contrast with 24% in 1926.

(6) **The Canadian Dollar and the Balance of International Payments:** A study of Canada's balance of international payments since 1939 is too complex a subject to discuss in detail. Conditions have been so different during the war and postwar periods that an analysis would be entirely too lengthy for this lecture. The results, however, may be summarized as follows:

(a) Both on current and capital accounts during the past 14 years have resulted in an increase in Canada's holdings of gold and U. S. dollars from $501.7 million at the end of 1947 to $1,870.2 million at the end of 1952 and $1,843.7 million on April 30, 1953, and

(b) for more than one year the Canadian dollar has sold at a premium over the U. S. dollar.

Certain Underlying Conditions Contributing to the Changing Economy

(1) **A Summary of the Economic History of Canada Prior to 1939:** The economic history of Canada prior to 1939 may be divided into four different distinct periods as follows:

(a) Prior to confederation in 1867 Canada's economy was concerned first with the fur trade and fishing, then with lumbering and saw mills as well as farming and light miscellaneous manufacturing.

(b) The second period may be roughly defined as from 1867 to 1914. It is characterized by the building of railroads which opened up the wheat fields of the Prairie Provinces. In addition, certain rich mining areas such as the Klondike, the Sudbury Basin, the Porcupine goldfields and the lead-zinc deposits at Trail, B. C. Also during this period there were the initial stages of the development of Canada's hydro-electric power industry and the refining of metal by electricity, principally aluminum, as well as the establishment of a few mills in the pulp and paper industry.

(c) During World War I Canada for the first time developed a certain amount of miscellaneous heavy industries chiefly concerned with the production of armaments and military supplies. Also during these years there was an intensive search for additional minerals necessary to the war effort.

(d) During the '20s the industrial realization of Canada began in earnest stimulated by the development of manufacturing during World War I. This period was marked by a rapid development of the pulp and paper industry, of the hydro-electric power industry, and an expansion in both heavy and light manufacturing companies. It was also during this period that a great many U. S. corporations established subsidiaries in Canada. Several new mining areas such as the Rouyn district of Quebec were developed at this time.

(e) During the depression and the subsequent recovery the most important feature of Canada's economy was her sound policies of government finance. In the early Thirties there was a considerable boom in the gold mining industry, but by and large, it was a period when many companies put their financial houses in order. The job which was done was the foundation in some respects for the expansion during and subsequent to World War II.

(2) **The Expanding Economy During World War II:** During World War II, that is the years 1940-1945, inclusive, Canada became known as the arsenal of the British Empire. It was a period during which there was a great expansion in her industrial plants in order to provide facilities for the manufacture of armaments. It was also a period of intensive utilization of natural resources essential to the war effort and as a result many new discoveries of strategic metals were made. During this period the Gross National Product increased from $5.7 billion in 1939 to $11.9 billion in 1945.

Of the total expenditures of National Income during that period $7.0 billion was for plant expansion and housing and $19.5 billion for expenses of government. These latter expenses were, of course, largely the outlays of the Federal Government in connection with the war effort. During this period through wage and price control, rationing and high taxation, personal expenditures on consumers goods and services declined from 68% of the Gross National Product in 1939 to 57% in 1945.

(3) **Discovery of New Natural Resources:** During and immediately following World War II certain strategic natural resources were discovered in Canada in sufficient quantity to be the real basis of the expanding economy since 1946. By far the most important of these natural resources were crude oil and high-grade iron ore, two commodities of which Canada had heretofore been forced to import, almost her entire requirements. The discovery and subsequent development of these two all important natural resources stimulated a chain reaction in the expansion of old manufacturing industries and the formation of new industries largely allied to crude oil and natural gas.

In addition to these two important discoveries several others deserve special mention. They are:

(a) the development by the government-owned Eldorado Mining & Refining Limited in the Northwest Territories of a uranium mine and concentrator which provided the material for the first atomic bomb. In addition, this same company and certain private companies have discovered large deposits of uranium in the northwest section of Saskatchewan;

(b) the discovery and subsequent development of ilmenite deposits on the north shore of the St. Lawrence River near Harbour St. Pierre. Ilmenite is the basic ore of titanium and a smelter at Sorel, Quebec, is now in operation extracting titanium oxide and very high-grade iron ore;

(c) the extension of old deposits and the discovery of new base metal mines particularly nickel in the Sudbury area, nickel at Lynn Lake, Manitoba, lead-silver in the Yukon, copper in the Gaspe Peninsula and more recently a large deposit of ore containing many base metals in the Bathurst area of New Brunswick.

(4) **Government Finances On Pay-As-You-Go Basis:** During the war Canada was able to finance approximately 50% of her total expenditures from taxation. Of the total bonds which were sold to finance the balance more than 84% was subscribed by the public, leaving only 16% by the banks. This is in sharp contrast to war-financing in the United States.

Since 1946 the Federal debt of Canada has decreased from $13.4 billion on that date to an estimated $11.1 billion for the fiscal year ended March 31, 1953. This

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*An address by Mr. Clarke at the Sixth Annual Session of the School of Banking of the University of Vermont, sponsored by the Vermont Bankers Association and the Department of Commerce and Economics, University of Vermont, Burlington, Vt., Aug. 30, 1953.

The State of Trade and Industry

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

Total industrial production for the nation-at-large last week reflected a slight advance in the level of output and production in most industries continued to exceed that of a year ago by a slight margin. Freight shipments edged upward to the highest level since last November. Employment too, remained high and labor-management relations were generally peaceful.

Employment during the month of August rose to a new high level of 63,408,000 and the jobless total fell to a post-World War II low of 1,240,000, the United States Department of Commerce stated. In July, the comparable figures were 63,120,000 and 1,548,000. The department said that only 1.9% of all civilian workers were unemployed in August, compared with 2.5% in the 1952 month. A pick-up in commercial and industrial hiring in the month offset a seasonal decline in farm employment, it noted.

In its weekly review of the steel industry, "The Iron Age," national metalworking magazine, this week states that cost-conscious steel users are now chafing under the burden of extra freight charges for steel delivered from out-of-area mills and adds, when supply-demand scales tip in favor of supply, steel plants must either absorb freight or retreat from some of their distant markets.

Because of tall increases in shipping rates, freight absorption by the steel industry will never regain its traditional status as the great price equalizer. This is one of the significant phases of the steel market's transition from shortage to plenty, notes this trade journal.

Consumer pressure to obliterate extra freight charges will heighten in the fourth quarter and run into 1954 as steel supply eases further. It could force a considerable reshuffling of supply lines unless mills absorb freight to align their prices to those of nearer competitors, this trade authority declares.

"The Iron Age" was told that some important mills will continue the trend to snub faraway markets except on a selective basis, it reports. On a few products some mills have recently withdrawn from some markets. One producer dropped its cold-finished bar business with a large user rather than absorb freight. Other users quickly absorbed released tonnage but mills may want to woo some markets back when bar supply is more abundant, it adds.

Current freight absorption is largely confined to producers of stainless steel and some wire products. The trend is spreading to mechanical tubing and some alloy products. Carbon and reinforcing bar freight is now being absorbed in Chicago.

Meanwhile, the steel market holds its course of gradual easing. There are absolutely no signs of panic and demand for the many steel products continues strong—although not urgent, concludes this trade authority.

Automotive output last week is expected to drop further than the previous week due to the Labor Day holiday and continued lower schedules by many producers.

Preliminary figures for last week's auto production are 108,358, off 10.6% from the 121,227 in the previous week and 84,865 in the like week a year ago, according to "Ward's Automotive Reports."

The Automobile Manufacturers Association currently reports that factory sales of cars to dealers in July were the highest for the year and the best monthly total since March, 1951. They totaled 599 077, a rise of 2% from June and more than three times the July, 1952 figure, when the steel strike slowed sales, the association stated. For the first seven months, factory sales were 3,838,646, a rise of 62% from the 2,367,918 units of the like 1952 period.

Scheduled Steel Operations Cut by Labor Day Holiday

Reporting on the steel situation, "Steel," the weekly magazine of metalworking, this week states that most problems of steel procurement will be over by the fourth quarter. It adds, many of them have already disappeared and others are fast waning.

Reduced demand for steel and high production of it have taken the pressure off the steel market. No longer are buyers

Continued on page 33

International Bank and Fund Meetings Significant

By A. WILFRED MAY

Initial participation of United States under aegis of a Republican Administration of major significance to Bretton Woods organizations' full-dress consideration of crucial international questions and policies.

WASHINGTON, Sept. 9—Assuredly there is necessarily little prospect of any definitive decisions of importance being reached during the annual meeting of the International Bank for Reconstruction and Development and the International Monetary Fund, whose sessions have begun here today. Nevertheless, the parley's proceedings harbor great significance.

A. Wilfred May

This morning's opening session witnessed a minature edition of U. N. scuffling, a squabble over China - recognition revealing the latest line-up on the world's number one controversy, besides highlighting the continuing encroachment of politics on economics.

The agitation was initiated by the Soviet - dominated Czechoslovakian delegation here. Calling unlawful the participation of the so-called Quomintang group in Bank and Fund meetings, the Czechs submitted a resolution calling for these institutions' transfer of recognition to the Communist regime. As on the East River, the needle drew the angry fire of Nationalist China's representative, to wit, that his government at Taiwan is not only "a beacon of hope (political)" but also "a curber of inflation and increaser of production (economic)."

Secretary Humphrey's motion to table the Czech resolution was upheld; but not before the pro-Commie position had been upheld in definite assertion by both India and Yugoslovia—with Great Britain's delegate going out of his way to volunteer his country's position of "regarding the Central Peoples Government as *the* government of China" while advocating postponement of immediate action.

New Look Through Republican Eyes

Weighing the parley's broad import, the convening under one roof here in Washington of 44 nations' top Treasury and central banking officials will afford a rare opportunity for a most authoritative "new look"—via plenary session and hotel-lobby conversation—at the world's crucially pressing economic problems. Moreover, this is the first of the eight annual meetings of the Bretton Woods organizations at which the United States, the host and dominating member (with one-third of the Bank's voting power), has been bossed by a Republican Administration (via Messrs. Black, Humphrey, Burgess, Weeks, Stassen—and the bi-partisan sound-money protagonist, Andrew Overby).

Immediately after Mr. Ivar Rooth's formal presentation of the Fund's annual report tomorrow, the delegates and their colleagues will go into extended discussion, formal and informal, of general problems of world payments; and the prospects for freeing trade for "Trade-Not-Aid." In the weighing of the possibilities of reducing trade barriers, the indication or re-indication of policy by the Republicanized U. S. representatives will be most important.

More specifically will the prospects for convertibility with the Fund's potential role therewith, be nailed down. Midst the various pending proposals for subsidizing convertibility, the possibilities of Fund participation should be talked out and clarified. According to some of the thinking rife here, the Fund can handle the job of sterling convertibility; on the basis that it will require a total of four to five billion dollars; that of the three billions-plus in gold and hard currency which the Fund possesses it can devote two billions, which can be raised to the needed amount by borrowing the balance from a member country (the U. S.). The expressions here, as a follow-up of the British Commonwealth meetings last December and June, will be followed closely.

All-Star Discussion of Private International Investment

Private international investment particularly in under-developed countries, will also receive consideration that is important. On the agenda for panel discussion Friday, this question is given added significance because of prospective foreign-aid cutting by the U. S. This full-dress discussion, arranged by the Bank will be participated in by leading businessmen and officials from the Banks' member countries, chaired by John J. McCloy, Board Chairman of the Chase National Bank. The panel's representatives for the interests of the investor will be: Franz Schneider, President of Newmont Mining Co., George Woods, Chairman of the First Boston Corporation, and Jeremy Raisman, Deputy Chairman of Lloyd's Bank of London. Representing the views of countries importing capital will be Abdul Galil el-Emary, Finance Minister of Egypt; Sir Benegal Rama Rau, Chairman of the Reserve Bank of India; Luis Legoreta, head of the Banco Nacional of Mexico. Sir George Schuster, a director of the Westminster Bank, will sum up the discussion.

Export-Import and the World Bank

The future role of the Export-Import Bank will be a main topic in the sphere of the World Bank's sphere of the agenda. Pursuant to policy being advocated in important Administration quarters, the transfer of leadership in foreign investing for economic development from Ex-Imp to the World Bank will be further explored following this meeting by the Senate Banking and Currency Committee's "Capehart" sub-committee.

President Black's Manifestation of Bi-Partisan Continuity

Another event-of-the-week of note in the World Bank's affairs, is the reelection of Eugene R. Black to serve his second term as President of the institution. Here too the advent of the Republican Administration is significant in indicating the bi-partisanship of our attitude toward Bank-and-Fund.

The honoring of Mr. Black is significant also in highlighting the institution's fine record as detailed in the Annual Report presented this morning. This record shows that the period of Mr. Black's presidency has been one of great growth for the International Bank, which was in its third year of operations at the time of his appointment. Seven countries joined the Bank, increasing membership to 54. Funds available for lending from capital subscriptions rose by $120 million. Loans grew from $650 million to more than $1.6 billion. Accumulated net earnings and reserves increased from $22 million to $114 million.

As United States Executive Director, Mr. Black took a leading role during 1947 and 1948 in obtaining state legislation to make the Bank's bonds eligible for purchase by U. S. banks, insurance companies and other institutions, and he was instrumental in preparing the market for the Bank's first bond issue, amounting to $250 million, in 1947. Since that time, the Bank's outstanding issues of bonds have risen to the equivalent of $556 million, consisting of subsequent issues in the United States and in the United Kingdom, Switzerland and Canada. The equivalent of $56 million of Bank bonds is now outstanding in currencies in other than U. S. dollars, and it is estimated that purchasers abroad also hold $110 million worth of the Bank's dollar bonds. An international market has also been created for securities from the Bank's loan portfolio.

Mr. Black came to the International Bank from more than 25 years spent in private investment banking, including 15 years as an officer of The Chase National Bank of the City of New York.

California Oilorama

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Some random notes on California as an oil bearing state, touching upon an interesting group of California petroleum producers.

As a background, California is our second largest State ranging over some 158,700 square miles, and lapping the Pacific along 1,300 miles of scenic coastline. It is also our second largest producer of petroleum, ranking just behind Texas (as it does in the square mileage department). Whereas you may have thought about California as the native habitat of the redwood (not deadwood!) fine fruits, fancy fish, colossal cinematics, water power, old age pensions, tennis champions, bustling and burgeoning cities, vaunted climate and the Bank of America — today think about California oil. It's a very big industry and dwarfs the gold mining which started all the economic and population expansion there a century ago.

Ira U. Cobleigh

California has been drilling out crude oil, not only for itself but to serve the Pacific Northwest; and it has also been an importer of crude, mostly from Sumatra recently at the rate of over 100,000 barrels a day. In February of this year the prices of California crudes were raised about 11½% which would seem to have indicated confidence in sustained market demand. On this point, however, there have been some doubters. These have argued that this increase might prove temporary, particularly when next year the completed Trans Mountain Pipe Line, now abuilding, would bring a lot of Canadian competitive crude, and take away a big slice of present California sales in the Northwest. Then, too, every so often surplus oil in the Gulf, or Venezuela, spills over into California, especially when tanker rates dip. So you see, there are some factors nibbling a little at the solidity of California crude prices. Demand, however, is pushing some 6½% ahead of last year, and there seems no valid reason to take a pessimistic long range view of the California oil industry.

Standard Oil of California

Some very distinguished names are found on the California oil roster. Let's start with the most famous one, Standard Oil of California. This fabulous company has big production not only in California, but is moving ahead in Canada, and through Aramco, has a very large interest in Eastern Hemisphere oil. Actually, production of California Standard within the State has been falling for some time; but this trend may be corrected by valuable new discoveries this year at Buena Vista, California.

The investor in Standard of California has a most active issue to work in—28,673,192 shares of SD common listed NYSE, and selling currently at 51¼ with an indicated $3 dividend. There was plenty of coverage ($6.07) for this dividend last year, and the fact that SD has paid out some dividend for the last 41 years in a row is quite reassuring to shareholders. Funded debt is about $85 million. As a sterling equity in oil SD appears well qualified, and it is ensconced in the portfolios of many shrewdly supervised trusts and funds. For our purposes today its principal drawback seems to be that so much of its earnings are derived from beyond the borders of California.

Union Oil of California

Union Oil Co. of California is also an exalted name in oil. This property seems, by virtue of larger production, mainly in California, and the 1953 price increase mentioned earlier, to be in a position to rack up an important gain in net this year. Last year the per share was $5.07 and 1953 looks at least a dollar higher. This indicated favorable trend in the general direction of the shareholder seems to be studiously ignored in the market of today. UCL common sells NYSE around 44 and presently pays at a $2 rate. Dividend record here again is a durable and uninterrupted one, going back to 1916. Some expansion of dividend distribution from this excellently managed company, seems by no means a forlorn hope. A big new gas field in Louisiana, just announced, is another plus factor for Union.

Superior Oil of California

If you don't mind a little altitude in your stocks, take a look at Superior Oil Co. of Calfornia common which, even in the soggy markets of the last month managed to stay above $600 a share, paying, believe it or not, a meek $4 a year in cash, even though 1952 earnings were $28.13. Major gas reserves added in the last year, and contract gas sales, now open new horizons for earnings for this super blue chip. Some day, for the patient, this stock may be in line for thumping split-up or stock dividend; and I leave it up to you to figure out how long a company earning $30 a share will continue to pay out only 14% of same. Only 423,000 shares are outstanding, listed NYSE. This is a quite unusual situation.

Signal Oil & Gas Co.

Signal Oil and Gas Co. of Los Angeles has all the appearances of a very well managed and progressive enterprise doing a good current job in oil production (about 44,000 barrels a day, gross) and peering about for further avenues of profit. Signal is heavily interested in California off-shore oil and has one off-shore rig going now, and two through a ⅔-owned affiliate.

Among other projects of Signal is a natural gasolene plant to be built, under a contract with Amerada, in North Dakota. This appears to be a highly profitable venture and will involve an investment of around $15 million. Add to this a well in West Texas, a 15% piece of American Independent Oil Co., which has struck some succulent oleogenous sand in Arabia, and a $9 million investment in American President Lines, and you get an idea of the diverse interests of Signal. The common which had been selling in the 80's has just been split 3-for-1. Listed in Los Angeles under the moniker SIG.

Honolulu Oil Company

Another California entry travels under a most romantic name, Honolulu Oil Co. Its 1,875,486 shares are listed NYSE selling at the moment at 53 with a dividend indicated at $2.50.

Honolulu delivers about 30,000 barrels a day, gross, and the February price hike works out to an earnings improvement of roughly 90¢ a share. Matching its property sites with its romancy corporate title, the company has seven wells in Buena Vista, Calif., and a gas field in (you'll pardon the expression) Wild Goose, Calif. Further, in four Texas Counties, Honolulu has struck good production. Here's strictly a producing company with a good nose for oil, a simple capitalization (1,875,486 common shares preceded only by $2,613,528 in debt) and a strong cash position. The shares have varied pricewise from 44¾ to 69½ in the past two years. At 53 they do not appear astronomically priced.

Intex Oil Company

Down the ladder a bit in point of size is an attractive enterprise known as Intex Oil Company—the name being a blend of Independent Exploration Co., incorporated in California in 1940, and a Texas subsidiary. Capitalization could not be simpler — merely 925,000 shares of common traded on Los Angeles and Frisco Exchanges, and presently appraised by the market at 9⅛. No dividends are being currently paid here, and per share for 1953 is roughly estimated around $1.15. Strictly a producer of crude, Intex gets its main run from California wells (total around 2,900 barrels a day) but producing acreage in Texas, plus some hopeful land holdings in New Mexico, Kansas, Colorado and Oklahoma provide horizons for growth. Intex is the most speculative we've discussed, but it has been thought, by some analysts, to be selling now at a substantial discount from conservative per share valuation of its known reserves.

And Don't Forget!

This idea of trying to crowd into one short article comment on the whole gamut of California oil, has, I'm sure, been overly ambitious; but it may present a rough sort of a road map for those who are sold on the oil industry, and seek West Coast entries. Others of significance in California would, of course, be Richfield; Shell has considerable production; and there's Kern County Land Company, deriving increased royalties from oozing oil through its outright ownership of 405,000 acres in California plus broad swaths of land in Arizona, New Mexico and Oregon.

Further, this minute monograph has treated oil only from the producing standpoint, although outfits like Standard of California, and Union are well integrated companies. Despite dire predictions that some years hence, our main source of energy and power may be the little old atom, until that day comes, petroleum production looks like a pretty dynamic field; and some of the producers limned here are going to be very kind to shareholders. Which ones? From this crude little panorama, investigation, research and a substantial element of luck may supply the answer.

Improved Outlook For 1953 Harvest

As the result of favorable growing conditions during July, the outlook on Aug. 1, was for a larger harvest in the United States this year than that indicated a month earlier, says the Alexander Hamilton Institute. Because of the improvement during July, the index of the output of all crops this year, on the basis of 1923-1932 as 100, was raised by the Department of Agriculture from 130 on July 1 to 132 on Aug. 1, or to a figure equal to that of last year. Thus, the 1953 harvest is expected to be exceeded by only the record large output in 1948 when the production index was 135.5.

From Washington Ahead of the News

By CARLISLE BARGERON

It is doubtful if official Washington ever had a more popular man than Chief Justice Fred Vinson. In a city of contention he was unique. He got along with everybody.

Men come to this center of national and world affairs and thrive by different means. Controversy to hit the headlines is the route most often chosen, and it is a road fraught with hazards. On top of the heap one day, you many be buried the next but the feeling is that you at least registered in the hurly burly, made your name nationly known.

Carlisle Bargeron

Vinson was just the opposite. In the nearly 30 years I had known him, rather intimately, there was never any outburst of criticism against him. He differed with those with whom he was associated but never let the differences get to the controversial or anger stage. As he mounted from one position to another, one may not have always agreed that he was the best man for the particular position but there was never anything that could be said against him.

It might throw some light on his character to know that his early success as a member of Congress came from his willingness to play bridge with the wives of the leaders. In those days nearly all of them lived in the same hotel near the Capitol. Night after night he was available for a fourth hand when the husbands would be tired or anxious to be off by themselves. The appreciative wives were quick to call the attention of their husbands to this courtly and attentive young man. So up the ladder he came.

He successfully ran for Congress in a relatively few years after graduating from college and being admitted to the bar, and in that interim he had served as city and state's attorney, so he was on the public payroll or a public servant practically all of his adult life. With the exception of the 71st Congress when the Republicans made a clean sweep of the country, he served continuously in Congress from the 68th to the 75th session or a total of 14 years, and subsequently was appointed to the Circuit Court of Appeals by President Roosevelt. During World War II, Roosevelt got him to resign to serve as economic stabilizer. Truman subsequently appointed him in quick succession to be Secretary of the Treasury and then Chief Justice.

It was while serving as economic stabilizer in 1943 that he showed, behind his urbanity, a strong firmness. The railroad operating brotherhoods had been granted a wage increase which he thought violated the wage and price stabilization orders. A closely contested gubernatorial election campaign was on in Kentucky and he was subjected to considerable pressure to let the increase stand in the hope this would tilt the election in favor of the Democrats. He stood pat, the Republicans won and there was considerable grumbling among Democratic politicoes that he was responsible.

He caused considerable lifting of eyes when he and two other justices voted to uphold Truman's seizure of the steel plants. Naturally there was a lot of feeling that his ruling was influenced by his gratefulness to Truman. He was one of the latter's most trusted friends and advisers. The impression was, in fact, that during Truman's Presidency, Vinson was one of the most powerful men in Washington.

Truman wanted him to accept the Democratic Presidential nomination in 1952 and for months there was speculation as to whether he would do so. Several weeks before an authoritative newspaper story appeared saying he would under no circumstances seek the nomination, he had told me in confidence that he had no intention of doing so. He said he did not want any trace of Presidential ambition to intrude upon his judicial thinking.

Undoubtedly the Conservatives still look upon the Supreme Court with a jaundiced eye. Justice Vinson never sought to deny that he was a "liberal" of the Roosevelt school and that he was a party Democrat.

He never sought to describe himself as a statesman instead of a politician. He accepted willingly the latter role in its higher meaning—a practitioner in the art of government.

And although the philosophy of the high tribunal under him may not have been what the Conservatives would want, there can scarcely be any denying that he lifted its dignity back to the state it enjoyed under Charles Evans Hughes, and without the latter's aloofness. There was no aloofness about Justice Vinson, no false dignity. He was the friendliest of men and quite a goer in Washington's social life. He would invariably be the center of a group telling stories.

I have seen him at some pretty raucous stag parties but around him there would be an oasis of calmness. No one ever sought to take liberties with him on these occasions yet his geniality was always present. He had an innate dignity that commanded respect, aside from the dignity of his office. At lunch with him, on visits to his office, for example, I have talked with him on most every subject under the sun. But in my wildest moments it never occurred to me to intrude upon any business of the court, or to ask him a question that might be embarrassing. Yet I could not have been talking with a friendlier person.

This Could Happen to You!

CENTRAL STATES ELECTRIC
CORPORATION

1943 to ?

In 1929, the combined market value of Central States Electric Corporation Debentures, 7% Preferred, 6% Preferred, and Common Shares, was approximately One Billion Dollars ($1,000,000,000). In 1942, it had dropped to approximately One Million Dollars ($1,000,000).

In 1943, I was responsible for the formation of the Central States Electric 7% Preferred Protective Committee. Carr O'Brien Company paid all the Committee expenses which amounted to $40,060.74. In 1942, the 7% Preferred stock sold as low as five cents (5c) per share and in 1952 it sold at Two Hundred and Thirty-Five Dollars ($235.00) per share.

The activities of the 7% Preferred Protective Committee were in a large measure responsible for the Trustees obtaining a judgment of Fifteen Million Dollars ($15,000,000) in 1952 in the Federal District Court for the Southern District of New York against Mr. Harrison Williams, who controlled Central States Electric Corporation. This judgment was reversed by the U. S. Court of Appeals, Second Circuit in a 2 to 1 decision based on a legal technicality—the Statute of Limitations—and not based on the true merits of the case.

In my judgment Harrison Williams should disregard the Statute of Limitations and agree to pay the Fifteen Million Dollars ($15,000,000). This would prevent minority stockholders from being wiped out.

After working day and night for almost ten years in the interests of 7% Preferred Stockholders, I was shocked to learn that, in the opinion of Mr. Green and Mr. Cohen, representatives of the Securities and Exchange Commission, and in a decision of Judge Hutcheson in the U. S. District Court, Eastern District of Virginia (Richmond), later confirmed by Judges Parker, Soper and Dobie in the U. S. Circuit Court of Appeals, Fourth District, Asheville, N. C., I was not allowed one cent compensation and Carr O'Brien Company was not reimbursed for any of the Committee's expenses. The reason given by the Securities and Exchange Commission and the Federal District Court was the fact that my wife sold 800 shares of Central States Electric 7% Preferred stock to Otis & Company in 1946. This was construed as "trading" in the stock, although the stock was purchased before the 7% Preferred Committee was organized.

The Allegheny Corporation and Otis & Company had proposed a plan in 1946 to take Central States Electric Corporation out of bankruptcy. To further protect the holders of 7% Preferred who might have been squeezed between the bondholders and the common stockholders, they agreed to purchase 5000 shares from a group. Mrs. O'Brien was one of that group. Their proposed plan would have fully protected the rights of all minority interests.

With the approval of counsel my case will be appealed to the United States Supreme Court.

FLOUR MILLS OF AMERICA
INCORPORATED

1953 to ?

In the reorganization of Flour Mills of America, Inc. in 1941, all minority stockholders were wiped out. The experience I gained from what, in my opinion, was a gross injustice in this case made it possible for me to help prevent the Central States Electric 7% Preferred from being similarly wiped out in 1943.

Flour Mills of America is again in very serious financial difficulties. Losses for the fiscal year ended May 31, 1953, have, in my opinion, become a public scandal. The entire working capital of almost Four Million Dollars as of May 31, 1952, has virtually disappeared.

Some of the leading banks in the United States have made unsecured loans of millions of dollars to the company through Mr. Henry Cate, its president (resigned August 14, 1953), during the past seven years. Now they are demanding a second mortgage on the properties of the company to protect their loans. Such a move would seriously jeopardize the equity of minority stockholders.

The leading millers of the country are the most logical group to best protect the banks, the employees and minority stockholders of Flour Mills of America. In my letter to a leading figure in the flour milling industry, dated March 10, 1952, I expressed deep concern about the operation of Flour Mills of America, Inc., and I pleaded with him at that time to cooperate with me and other minority stockholders, "to solve a serious situation before it was too late." That was 18 months ago.

On August 17, 1953, I again wrote this gentleman and explained that we represented clients and associates who owned a substantial amount of Flour Mills of America common and preferred stock, and, in the event that the holdings of Mr. Cate and his associates were to be subordinated, we would need his cooperation and the cooperation of other leaders in the industry to continue the operations of the company unless they felt that it should be absorbed by one or more of the leading companies.

On August 24, 1953, I sent a telegram to the President of the United States in which I pointed out the serious condition of the company. I suggested that the government step in and appoint a committee composed of former president Harry S. Truman; Harry A. Bullis, chairman of the board, General Mills, Inc.; and A. E. Eisenhower, executive vice president, Commerce Trust Company, Kansas City, Mo., to make a thorough investigation of the operations of Flour Mills of America, Inc. I pointed out in this telegram that trading in the stock on the Midwest Stock Exchange had been suspended by the S.E.C. after a meeting between three company directors and S.E.C. officials.

I also pointed out the fact that several large banks in the country were endeavoring to mortgage properties of the company which in turn would affect the interests of all minority stockholders. I urged the President's immediate attention in this connection.

An investigation may well prove that the most important investor group in America, the minority stockholders, must be and shall be protected NOW.

The reorganization of Flour Mills of America in 1941 and the reorganization of Central States Electric Corporation in 1951, in my opinion, damaged the rights of minority stockholders beyond all conception!

We hereby appeal to every stockholder in America to help us protect the rights and privileges of all minority stockholders.

Thus, with God's help, we place our faith in the highest court of the land—the Court of Public Opinion.

JOSEPH L. O'BRIEN, ***President***
CARR O'BRIEN COMPANY
1500 Walnut Street, Philadelphia 2, Pa.

September 2, 1953

Dealer-Broker Investment Recommendations & Literature

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

German Dollar Bonds—Analysis—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Japanese Shipbuilding Industry — Data in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

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

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

Railroad Securities—Appraisal of underlying values—in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are a list of **Low Labor Cost Companies**, and analysis of growth potentialiteis in **Aluminum**, beneficiaries from **Utility Expansion**, discussion of **Tri Continental Corporation vs. Atlas Corporation** and a list of issues with increased profits for 1953.

Stock Ownership Plans For Employees—Revised manual—New York Stock Exchange, New York 5, N. Y.

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

American Airlines — Memorandum — Hirsch & Co., 25 Broad Street, New York 5, N. Y.

American Hospital Supply Corporation—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are analyses of **Massachusetts Bonding and Insurance Company, New Amsterdam Casualty Company, Texas Eastern Transmission Corporation, and United States Fidelity and Guaranty Company.**

Atlas Plywood Corporation—Digest of address by Robert A. Muller, Vice-President, of the corporation before New York Society of Securities Analysts—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Boston & Albany Railroad—Brief analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are data on **Chicago & North Western Railway, Lehigh Valley Railroad, New York, Ontario & Western Railway, Northern Pacific Railway,** and **Wisconsin Central Railway.**

Caterpillar Tractor Co.—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Crown Zellerbach Corporation—Detailed illustrated report—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Electric Bond & Share—Analysis—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

International Bank For Reconstruction and Development—New statistical analysis—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

National Research Corp. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Oswego Falls Corporation—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Riverside Cement Company—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Utility Appliance Corporation — Analysis — Winslow, Douglas & McEvoy, 120 Broadway, New York 5, N. Y.

NSTA Notes

AD LIBBING

Next week is our Convention at Sun Valley and our Year-Book issue of the "Commercial and Financial Chronicle" will be going to press Sept. 19. We still have time to increase the gross as listed below. Will our affiliate chairmen make one more effort to up your total.

It appears as though many of our local organizations have not made much use of the material we have sent them to aid in soliciting ads for our supplement.

Much enthusiasm was displayed earlier in our campaign, but now as we near the completion of our work, it seems some are not following through. May I suggest you try again.

Below is a preliminary report on the results to date. Can you improve the figures for our final demonstration of teamwork.

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

N. S. T. A. ADVERTISING — 1953
COMMERCIAL & FINANCIAL CHRONICLE

Alabama Security Dealers Association	$63.00
Arizona Security Dealers Association	----
Baltimore, Security Traders Association of	302.40
Boston Securities Traders Association	317.80
Carolinas, The Security Dealers of the	----
Chicago, Bond Traders Club of	1,195.20
Cincinnati Stock and Bond Club	284.20
Cleveland Security Traders Association	906.40
Connecticut, Security Traders Association of	176.40
Dallas Security Traders Association	477.00
Denver, Bond Club of	214.20
Detroit & Michigan, Securities Traders Association of	579.60
Florida Security Dealers Association	396.60
Georgia Security Dealers Association	358.20
Houston, Investment Dealers Association of	88.20
Kansas City (Missouri), Bond Traders Club of	----
Los Angeles, Security Traders Association of	635.40
Louisville, Bond Club of	270.00
Memphis Security Dealers Club	88.20
Nashville Security Traders Association	182.70
New Orleans Security Traders Association	277.20
New York, Security Traders Association of	7,999.20
Philadelphia, Investment Traders Association of	1,071.60
Pittsburgh Securities Traders Association	302.40
Portland (Oregon), Security Traders Association of	126.00
St. Louis, Security Traders Club of	522.00
San Francisco Security Traders Association	847.80
Seattle Security Traders Association	1,040.30
Syracuse, N. Y., Bond Club of	63.00
Twin City Bond Traders Club (Minneapolis-St. Paul)	252.00
Wichita Bond Traders Club	----
Unaffiliated	653.40
	$19,690.40

DON'T FORGET THE CONVENTION

With trains for the N. S. T. A. Convention at Sun Valley leaving Saturday, Sept. 12, the Union Pacific Railroad has sent to all those scheduled to attend an attractive "Reminder" check list cut out in the form of the UP streamliner. Pencil notes can be erased quickly from the list's plastic finish and ink wipes off with a damp cloth.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold a Cocktail Party on Sunday, Sept. 13, on the train in the Chicago Union Station, from 11:15 until departure.

In addition, busses will be at the Station at 8:45 in the morning to take those wishing to go to church, and will return at 10:45 after a brief visit around the city. Other busses will leave around 9:15 for a one and a half hour trip.

We shall look forward to being with you.

Sincerely,
LEE WOLF, President.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Bowling Committee of the Security Traders Association of New York announces that bowling will start Thursday, September 17, 1953, 5:30 to 8 P.M. at the City Hall Bowling Center. All STANY members and Associate members interested please contact the Chairman or any of the following captains:

"Julie" Bean	"Joe" Donadio
"Rickie" Goodman	"Mike" Growney
"Cy" Murphy	"Hoy" Meyer
"Artie" Burian	Wilbur Krisam
"Charlie" Kaiser	"Hank" Serlen
"Duke" Hunter	George Leone

There will be a meeting of all captains at the office of Sidney Jacobs, Sidney Jacobs Co., 111 Broadway, at 4:45 P.M. Monday, Sept. 14, 1953.

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 (Detroit, Mich.)
Bond Club of Detroit Golf Party and Outing at the Country Club of Detroit.

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.

Railroad Profits Continue at High Level

Operating revenues of the railroads in the United States in June and in the first six months of this year were at a record high rate, says the Alexander Hamilton Institute. For the first six months, operating revenues amounted to $5,327,000,000 this year as against $5,121,000,000 last year, an increase of 4.0%. While there was also a rise in operating expenses, the increase was considerably smaller than in the case of operating revenues.

As a result, the railroads' net income, after taxes, rentals and interest, rose in June to $79,000,000, a new monthly high for this year, and comparing with $53,000,000 in June last year. Returns for June brought the total net income for the first half of this year to $418,000,000 as compared with $310,000,000 in the corresponding period of last year, thus increasing the possibility that the total net income for the full year of 1953 will be larger than in any year during the period which began with the outbreak of World War II.

Instruments of Modern Corporate Financing

By CHARLES C. GLAVIN*
Vice-President, The First Boston Corporation

Mr. Glavin classifies and describes the most modern types of corporation securities and discusses problems relating to their use in corporate financing. Gives pros and cons of public and private placement of securities, and explains procedures in underwriting and distributing securities, including negotiated sales and competitive bidding operations. Comments on problems relating to pricing of new securities.

Starting off with the subject of corporate securities themselves, my first major classification is debt obligations. About all you can say about them, in a general nature, is that they promise to pay a fixed amount at a fixed time. The most common and historically best known type of debt security is the mortgage bond which is a debt security actually secured by a mortgage or lien on assets, almost invariably only the fixed assets. Its basic purpose is that failure to pay permits the bondholders to take the property outright upon default. It is mostly associated with railroads and public utilities, and to some extent in the industrial field with companies having large fixed assets such as the steel industry.

Charles C. Glavin

Once a company has mortgage debt, it is almost impossible to get out any other type of debt unless you get rid of all existing mortgage debt. When you get to mortgages, there are many, many kinds of them. There is the simple first mortgage which is most common today in utilities. Then you get variations of second mortgages, third, fourth, fifth, sixth, and so on forever; particularly in the railroad field, you get these overlapping degrees of liens, provisional liens to very, very general liens which really mean nothing.

The Modern Mortgage

The present modern mortgage is almost invariably an open-end instrument, which permits the issuance of additional debt secured by the same mortgage. The old-fashioned mortgage was the closed type which simply meant that when you sold an issue you were through. Invariably the new ones have a formula on which additional bonds can be issued. Again, usually, some ratio to new property additions, such as 60 or 70%. New property additions are usually defined as net property additions. meaning gross additions less actual retirements. Occasionally you will also find a concept of deducting depreciation accruals. New York Public Service Commission operates on that theory.

I know that you have already observed my using the words "usually" and "normally." I have to apologize for that, but it is absolutely essential to do so. There seem to be exceptions to practically all generalizations about securities.

The mortgage instrument is likewise used for long-term financing. Very seldom will you find mortgages of a short nature. Twenty years is usually the shortest, 25 to 30 more common, and they run to 50 years and even higher in certain situations.

There are also other types of liens that are similar to mortgage issues, such as certificates used by the railroads for buying equipment, known as equipment trust certificates. These are liens directly on rolling stock, having nothing to do with other properties of the company.

Another type is the collateral trust bond. It is rather seldom used these days and not too popular. It involves a lot of complications as to protecting the owner of the bond against the shifting around of the collateral. In some States they are still not legal for institutional investors such as life insurance companies.

The most popular form of debt security today is the simple debenture, again, a long-term obligation, where protection is afforded by what we call restrictive provisions. There is no lien on assets in any way, shape or form. The basic concept is the use of what we call the negative pledge clause which simply says that you cannot put anything in ahead of it without equally and ratably securing the debentures. Most of the institutional investors today have come to a realization that that is the most you need. Debentures, like any other security should be bought on the earning power and other factors rather than relying for your basic protection on a lien on assets. After all, if a steel company can't make a living it is not going to do you much good to take over the mills. You would probably do a worse job.

The Modern Debenture

The unsecured debenture with a strong negative pledge clause is almost the universal medium of industrial long-term financing today. Occasionally the institution will want a mortgage. Sometimes it is done to cover up some weakness in the security. Again, though, it must be done at times because a debenture would not meet the legal requirements. In New York State and most other States, the life insurance companies can only buy unsecured debentures of a company if you have an adequate coverage of earnings. If for some reason beyond the control of the company, they have had a couple of loss years, it will be legally impossible to sell debentures to institutions.

The debenture today usually has a sinking fund to provide for its retirement.

There has been a very strong feeling in recent years in debenture restrictive provisions, on the part of institutional buyers particularly, to prohibit the sale and leaseback of property.

Some years ago one of our large insurance companies bought a debenture issue of one of our big chain store operations. They thought they were sitting pretty with the senior obligation of this company, but a few years later the company turned around and sold all of its fixed assets, its buildings, to another insurance company and leased them back. What happened then was that the lease rentals on the buildings became an operating charge. So the institution found itself with its debenture issue in effect a secondary obligation of this company. Today there is almost invariably a prohibition against sale and leaseback. At times instead of a flat prohibition on sale and leasebacks they will handle the same thing by putting a ceiling on the amount of annual lease rentals which accomplishes the same thing and gives you some flexibility.

The one exception to the negative pledge clause—the major exception—is that it will permit a certain amount of purchase mortgages to get in ahead on the condition that the purchase money mortgage lien applies only to the property acquired. There again it is a matter of convenience for business operation rather than theory in that a company may want to buy a certain plant on which there is a non-callable first mortgage. If the negative pledge clause were absolute, they simply could not buy the property. Under these exceptions they would permit such a purchase.

Many of the debenture trust instruments have other types of restrictive provisions, such as restrictions on the amount of dividends that can be paid. They also will frequently have limitations on debt that can be outstanding, sometimes even on bank debt.

The more common type of unsecured borrowings, of course, are your bank borrowings and commercial paper. They hardly could be classed as securities, but nevertheless their use often serves the same purpose. Bank loans are invariably arrived at by direct negotiation with the bank, and they often are issued automatically under credit lines.

The Redemption Privilege

On almost all debt securities a redemption privilege is today normal. The redemption usually starts out at a fixed premium and reduces gradually. There is a little creeping up on that generalization today. We have a very tight situation in the money market with insurance companies. They are pretty pressed for funds, and those of us who are trying to sell securities are pressed to find buyers. As a result, trading gets going, and we wind up behind the eight ball to some extent on various types of provisions as well as rate. One of the provisions is non-callability for a period of time, maybe five years, or it can be as much as ten years. Others, like the Metropolitan Life and Prudential Life particularly, are based on financial non-callability. By that they will permit you to pay off the debt out of excess cash, out of earnings, out of cash available from selling stock, thereby not penalizing you for all the good things you do in life, but absolutely prohibiting redemption of your debt obligation through the proceeds of other borrowings. What they have been up against for years is lending a company a sizable amount of money when the loan is just so-so. Then after a few years have passed, they get it gradually pared down to a very fine obligation. Management may say, "Well, why should we pay these fellows 5%? Chase National Bank will let us have money at 2%." Boom! The fellow who took the real risk winds up with nothing.

Income Bonds

Occasionally you will find debt securities on an income basis which is a violation, really, of the concept of a debt security. Most frequently that type of security will come out of a reorganization, particularly railroads, but it has also become a little more common in recent years. However, it is used at times by companies of good credit standing in lieu of preferred stock. It is done for obvious tax reasons, interest on income debentures being deductible, whereas dividends on preferred stock are not. The other field in which it is used is that of a risky or a new venture, where the lender is willing to take that gamble for a period of time. In that case he usually has some stock to go with it.

I want to point out the use of subordinated debt. That has become quite a common thing today. Subordination simply means that you put the second layer of unsecured debt behind the first layer. Sometimes it is done for tax reasons, used in place of a preferred stock. It has also become a pretty standard part of the borrowings of finance companies. You will find them building up their leverage through a layer of bank loans, a larger layer of long-term senior debentures, and then another layer of subordinated debentures, and then some preferred stock, and then common stock. I guess it looks like a three-ring circus in some cases, but the game is to get as much leverage as possible out of it. They can get away with it because of the high degree of liquidity of the assets.

A classic example of what some people think of that type of thing is the Commercial Credit Company who recently issued some subordinated debentures and Moody's Investors' Service gave the subordinated debentures the same rating as the senior debentures. Reason seems to totter, but the justification is that they realized that the liquidity assured repayment of one as much as the other.

Stocks

In the stock field, you have preferred stocks and common stocks. The basic concept of a preferred stock is a prior position as to dividend rights and preference in liquidation. In return for that you take a limited fixed return, a dividend rate. It might best be described as a hybrid security. It is neither fish nor fowl. By its use a company raises money at a cheaper cost than selling common but yet takes no risks of foreclosure or reorganization if it fails to pay the dividend. The buyer strangely enough goes for it because he thinks he has a nice fat fixed rate of return. It is just about as fixed as the wind that blows. As a hybrid security, of course, its provisions are all over the lot. If you can describe a standard preferred stock, you would simply have a priority over common, a fixed dividend rate payable on a cumulative basis and a redemption right to the issuer. But you will find at one extreme a non-cumulative participating stock, and at the other extreme a cumulative stock with

Continued on page 22

*An address by Mr. Glavin at 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. 25, 1953.

Factors Influencing a Bank's Bond Portfolio

By E. F. THOMPSON*

Assistant Vice-President, Union Planters National Bank, Memphis, Tenn.

Stressing close relationship between trend of bank deposits to size and character of a bank's bond portfolio, Mr. Thompson lists national and local economic developments which lead to declines in deposits. Points out need for adequate primary and secondary reserves and a proper basis for deciding upon the bank's investment account. Emphasizes importance of proper spacing of maturities in bank's portfolio.

Before a bank can invest any money, it must have deposits. We must think first about our deposits and the reasons for their growth, decline, or stability. Bank deposits have grown substantially in the South during the past two decades. In fact, they have grown at a faster rate here than in any sections except the Southwest and the Far West. But in making investments in a bank, we must forecast their future growth or decline. We need to make a careful estimate of our deposits position one or two years hence.

Edward F. Thompson

The first method of approach to the future trend of deposits is to make a general survey of the deposit trend to be expected in the commercial banking system as a whole. Commercial bankers on the whole have failed to see and understand these national trends. But many of our banks are cognizant of this problem and are sending their younger executives to banking schools in order that they might learn first hand about national trends affecting banking. There are certain factors in the national picture which might bring about a decline in bank deposits. These factors briefly are as follows:

Factors Influencing Decline in Deposits

(1) **A decline in loans in the banking system:** During the postwar period most banks have felt an unprecedented demand for credit. As a result loans have increased substantially and deposits have continued to climb. There is a direct relationship between loans and deposits and they usually change directly with one or the other. For the first time in the postwar period, many bankers now believe that we may have witnessed the peak in our loan accounts. Of course, we shall still have the seasonal rise in loans this fall to harvest our crops and to take care of retail trade, but the rise this fall will be less than in 1952.

(2) **A decrease in security holdings of the commercial banking system:** The increase in the holdings of U. S. Government issues in the portfolios of banks have made them much more subject to the action of the monetary authorities. As a result of this policy in 1946, the Federal government paid off substantial amounts of maturing issues held by the commercial banks and the Federal Reserve System, resulting in a sizable drop in deposits during that year. (It was offset to some extent by the rise in commercial loans in the same period.) In this connection commercial bankers must study both the ability of the authorities to force contraction and evidences of the will to use that ability.

(3) **A flow of gold out of this country:** This factor is found on the balance sheet of the Federal Reserve System rather than in the balance sheet of the commercial banks. The substantial increase in the excess reserves of the banking system in the late 1930's was due largely to our importations of gold. Any important changes in these holdings will also raise or lower our banking reserves.

(4) **An increase in money in circulation:** Money in circulation reached new peaks during World War II and has continued to climb. It exceeded $30 billion in the peak last winter. The reasons given for this continuation is due to the maintenance of high wages, full employment, higher prices, possible hoarding, income tax evasion and changes in money habits of our people. The banking system has failed to attract money in circulation out of the lock boxes in the post war period.

(5) **A decrease in Federal Reserve Bank credit:** This item has to do with Federal Reserve policy and includes the purchase or sale of U. S. Government issues by the Open Market Committee and the lending operations of the Federal Reserve System to its member banks. Both of these operations are tied up closely with the problem of monetary policy and it is the fundamental policy of the Federal Reserve Board to prevent too violent swings in the business cycle.

*An address by Mr. Thompson before the Arkansas Bankers' Seminar, Fayetteville, Ark., Aug. 10, 1953.

Estimates of a Local Bank's Deposit Trends

The second fundamental approach to his deposit study is the local approach to estimate the deposit trend of your local bank. This study will include the factors briefly mentioned as follows:

(1) **The factors which bear upon the economy of our Federal Reserve District and of the individual community:** The Federal Reserve Bank of St. Louis in its Monthly Bulletin has prepared some excellent studies along these lines.

(2) **Is our community dependent upon any one industry or a few related lines?:** If so, we need to know the current trend of these industries and their outlook, since that trend might affect both the deposits of the industrial customers and the deposits of the industries' employees and of service organizations catering to these employees.

(3) **The character of the population of the community:** Is it growing, stable, or declining? Are the people emotionally unstable and susceptible to mass psychology? What are their debt paying habits? What are their civic responsibilities?

(4) **The nature of deposits:** Are they influenced by large deposits from a few individuals? What is the break-down between savings deposits, individual demand, and corporate accounts?

(5) **Special problems of the institution:** Are there any seasonal factors which result in widespread movements of deposits during the year? In spite of the increase in the industrialization of Memphis, bank deposits here are still subject to large seasonal fluctuations due to the influence of agriculture, especially in the fall of the year.

To provide for changes in deposits and to meet demand for loans, the commercial banker is required by law to maintain primary reserves and by custom to maintain secondary reserves. Let us consider both of these reserves briefly.

(1) Primary reserves consist of required reserves for member banks, till or vault cash, checks and cash items in transit and for exchange with local banks and balances due from other banks. The Federal Reserve Board sets the required reserves for member banks and the banking commissioners for non-member banks. These reserves are needed to meet legal requirements and daily operating needs. Primary reserves are non-earning assets, and an effort should be made to keep these funds at a minimum and to invest surplus funds in short-term U. S. Treasury issues wherever practicable. Today many of our larger banks make use of buying and selling Federal funds for temporary usage, depending upon their availability and the prevailing rate of interest. In relationship to total deposits, it is necessary for a bank to allocate say 20% to 30% to primary reserves.

(2) The secondary reserves are earning assets and consist primarily of short-term U. S. Treasury issues, including bills, certificates, and notes, bankers' acceptances, commercial paper, and longer term obligations, both government and corporate, that are nearing maturity. To insure ready convertibility without appreciable loss, the assets making up the secondary reserve must meet three requirements: (1) negligible credit risk, (2) short maturity, and (3) ready marketability. The purpose of the secondary reserves is to replenish the primary reserves as needed, to provide funds for seasonal changes in deposits, and to anticipate loan demands.

Secondary Reserve Policies

Some banks in recent years, which have had an unprecedented increase in their loan accounts, have followed a policy of liquidating their investment account and maintaining their entire portfolio in the secondary reserve. This policy has been called a "money market portfolio" in view of the substantial rise in bank loans, the tremendous increase in risk assets in the postwar years, the general rise in interest rates, and the decline in the bond market since 1946, but more especially in the past two years. As a result these banks are not confronted with losses in their bond accounts, earnings from investments are still substantial with the increase in short-term interest rates, they are in a flexible position to move in either direction in the short-term or intermediate market, and they are not frozen in with any issues of a long nature. In other words they have flexibility in their investment position.

There is another consideration to make in the handling of secondary reserves and it concerns the maturities of issues to be included in this account. In the past maturities for the secondary reserve have run as long as two and not more than three years. In recent years it has been better to include only the shorter maturities up to one year or 18 months in order to prevent market losses of any substantial nature and the one-year rate on U. S. Treasury Certificates at 2⅝% now is more than the World War II rate on 25-year U. S. Treasury Bonds. The size of the secondary reserve will also depend upon our analysis of the deposit structure in the individual bank and the current outlook for the trend of deposits. It is difficult to set up categorically any fixed percentage without a study of these aforementioned factors.

Deciding Upon the Investment Account

Finally we must decide upon the investment account of the bank. This account, if any, would include the residual amount after provision for primary reserves and secondary reserves. Its amount would also fluctuate depending upon the trend of deposits and loans. The investment portfolio now functions in a dual role: (1) as a part of the secondary reserve and (2) as a major source of income. The secondary reserve requires securities that can be liquidated readily with little or no loss of principal not only in normal times but also in times of financial stringency, when a sudden demand for funds is more apt to rise. The rise in short-term interest rates during 1950-53 have greatly increased the earnings from the secondary reserve.

As a major source of income the investment account confronts bank management with the problem of meeting income requirements while providing an adequate secondary reserve and guarding against undue loss of liquidity and exposure of capital funds in the rest of the portfolio. The income from the investment account may be increased (1) by a lengthening of maturities and (2) a lowering of quality. Both involve risks. High grade bonds without any risk of default such as U. S. Treasury issues are subject to fluctuations in market value. These fluctuations arise from variations in interest rates which make their effects felt throughout the money market. This law states that high grade bond prices fluctuate inversely with interest rates. As interest rates rise, bond prices decline; and conversely as interest rates decline, bond prices rise. Let us look at the U. S. Treasury 2½% bonds of 1972-67 to illustrate this point. In 1946 this issue reached a peak of approximately 110½ to yield slightly more than 2.00% and in June, 1953, sold as low as 89¾ to yield about 3.08%. This change in prices amounts to more than 20 points which is equivalent to more than $20,000 on holdings of $100,000 in this issue. A lowering of quality carries a twofold risk as compared with high grade bonds: (1) Price fluctuations may result in losses if liquidation becomes necessary and (2) default may occur in the payment of principal or interest. Although interest rate changes play a lesser role in fluctuations in low grade bonds, the credit risk is much greater and the danger of loss is more apparent. As a result a commercial banker should limit his investment to high grade obligations. The law limits investments generally to those of the four highest investment ratings of the statistical agencies.

The banker seeks diversification of his assets in a program of investing. This principle is even more important in the case of a bank in a single-industry town. We should seek geographical diversification in our program of risk spreading. Risks should be diversified but do not place too much burden upon management by trying to keep track of a number of credits disproportionate to the amount involved.

Spacing of Maturities

Another factor to be considered in the handling of the investment account is the spacing of maturities. Properly spaced maturities provide the source for a stream of funds which become available continually for meeting new or unexpected needs. They also provide a steady supply of funds for inclusion in the secondary reserve as the securities become short-term. Proper spacing is a matter of bank investment policy. Some banks follow a spacing of from 1 to 5 years, or 1 to 10 years. This latter policy was established during the financing program in World War II, when the Treasury Department would not offer securities in excess of 10 years for commercial bank subscription except in limited amounts. Spaced maturities offer an element of flexibility in the investment program in that a decline in deposits or increased loan volume may be met out of maturing securities, while expected changes in the future levels of these two variables may be provided for by the reinvestment of funds in securities of suitable maturity. The investment account should not be a trading account, and prospective purchases of securities should be based on the underlying values, not on guesses as to how they will be valued by the market at some future date. While shifts between comparable issues are sometimes desirable and proper, purchases should generally be made for holding to maturity.

The tax status of the bank is another important consideration in the purchase of securities. It is for this reason that banks are important purchasers of high grade state and municipal bonds. Yields from these obligations are frequently much larger than the after-tax yield from U. S. Treasury issues. There should be some differential between these yields to compensate for the added risk and limited marketability. We should purchase municipal bonds with the idea of carrying them through to maturity. A word of caution should also be given about the size of the commitment in these issues. As a general rule we should not exceed our legal loan limit in the purchase of municipals. The only exception to this rule might possibly be in the matter of State of Arkansas issues or in the matter of your own local municipality. There too you should not exceed in these issues an amount in excess of your capital stock outstanding.

There is one final consideration and that is the types of issues to include in your investment account.

United States Treasury issues are divided between the marketable issues and the non-marketable issues. The non-marketable issues for commercial bank investments have included limited offerings of Series F and Series G Bonds and the 2½% Investment Series of 1965. These bonds are owned only in limited quantities by commercial banks and we do not need to devote too much time to their consideration. The bulk of commercial bank investments are in the marketable issues and they include the following different issues:

(1) United States Treasury Bills mature in 91 days and are sold each week by the Federal Reserve Bank. Bids are taken for bills up to noon on Monday and $200,000 are allotted on a non-competitive tender. Yields on bills recently have ranged from 2.00% to 2.15%. However, during June 1953 the yield on a competitive tender reached 2.58%. This last offering was when money was extremely tight and the government market was in a chaotic condition.

(2) United States Treasury certificates, as a rule, mature in one year or less. They are usually offered for cash or exchange offerings. There are four issues outstanding now and the interest rate runs from 2¼% on the February issues to 2⅝% on the August issue. It appears that 2⅝% is the present one year rate.

(3) United States Treasury Notes mature from 1 to 5 years and, as a rule, have been available only on exchange offerings. There are several different issues outstanding.

(4) United States Treasury Bonds mature in 5 or more years and they are usually offered either for cash or exchange offerings. There are now 27 different issues outstanding, with the closest maturity being the 2% Bonds due Sept. 15, 1953, and the longest issue outstanding is the 30 year 3¼% Bond, due June 15, 1983/78. Treasury bonds are issued in denominations from $500 to $1,000,000 and they can be obtained in either coupon or registered form. We recommend for commercial banks investment holding of bonds in coupon form, in order to make sale and transfer easier. You may be interested in the following survey of ownership:

Holdings of United States Government Marketable Securities as Reported to the Treasury Department, Dec. 31, 1952, by 7,092 Commercial Banks:

Call Classes— Due or first becoming callable:	Amount (Millions)	Percent
Within 1 year	$28,853	51.85%
1 to 5 years	17,822	32.03
5 to 10 years	6,426	11.55
10 to 15 years	2,543	4.57
Over 15 years	----	----
	$55,644	100.00%

There are also different issues of the various instrumentalities of the United States Government which are outstanding in the market today. They are, as a rule, short-term issues and are not guaranteed either as to principal or interest by the Treasury Department. The short-term issues qualify for secondary reserves. These issues are as follows:

(1) Federal Intermediate Credit Banks Debentures are short-term obligations and are usually offered monthly. As a rule, they mature in 5 to 9 months and are a good medium for short-term funds at slightly better rates of return than are available from short-term Treasury issues.

(2) Federal Home Loan Banks Debentures are also of a short maturity and also qualify for the secondary reserve. The obligations of the Central Bank for Cooperatives are also of this same general type of obligation.

(3) The only issue of instrumentalities which are considered longer term obligations are the Federal Land Bank Bonds. These issues, as a rule, mature from 5 to 7 years and there are several issues available in the present market.

Municipal bonds also qualify for investments for commercial banks. It is our suggestion that these issues be limited to high grade names and you should purchase them with the idea of holding them to maturity. We also suggest that premiums on municipal bonds be amortized. If your bank does not amortize on a daily basis, then the premium should be amortized on coupon dates.

It is also suggested that you diversify your holdings of municipal bonds and include some of the better known out-of-state issues. High grade issues which are available in your neighboring states include Memphis, St. Louis, Kansas City, Dallas and Fort Worth. In determining the credit risk of municipal bonds, the debt limit should be not more than 15% of the assessed value and, better still, to limit it to 10% of the assessed value.

You might even consider investing a portion of your investment funds in revenue bonds where the bonds cover a completed project, there is adequate coverage for the debt service charges, the project enjoys good management and there are sound accounting practices.

Another type of issue available for commercial bank investment are corporate bonds and here, too, your investments should be limited to high grade issues. The investment in this type of obligation would depend upon the tax position of your bank and your earnings requirements. We have one correspondent bank which has purchased a sizable amount of equipment trust certificates for its investment account with excellent results. You must bear in mind that an investment in corporate bonds is subject not only to market hazards but also to the credit risks.

Let us keep in mind in handling our investments that we must make a detailed study of our deposits. This study should be based upon the external factors in the national economy which will affect deposits, as well as any disturbing local factors which will tend to restrict them.

The principal factors in portfolio management will depend upon the size of our primary reserves, the size of the secondary reserves, and the size of the investment account. The size of the investment account will, in turn, depend upon the fluctuation in our deposit account and the need to meet customer demands for loans. Factors involved in the handling of our investments will depend largely upon our analysis of the trend of interest rates, the establishment of spaced maturities, the inclusion of high grade issues and, finally, limiting the size of our commitments.

Join H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Donald K. Sutton has joined the staff of H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

Securities Salesman's Corner

By JOHN DUTTON

Believe It

The man without a belief in something is not very likely to accomplish very much in this life. Believing in a course of action, in the rightness of a purpose, and having faith in something that will hold a man up when discouragement comes his way has carried some men through the most difficult experiences—those who did not believe lost out. I recently read some of the experiences of our prisoners in the Korean War. How it was possible for some of them to live and come back out of that hell again none of us who did not go through it will ever know. Others died when nothing was apparently wrong with them — the doctors in the prison camps said that after a while some of these men became resigned to the idea that they had nothing to live for.

In everyday life men who believe in their mission carry on and they succeed—others fall by the wayside. Sometimes I think that there is very little "believing" in the investment securities business. Possibly that is why there are so very few men who are successful as securities salesmen. Probably it has some bearing on the small percentage of people who own securities as compared to those who own government bonds, life insurance, and savings accounts. For many years the people engaged in the securities business have been on the defensive. We have taken the attitude in come extreme cases that our business needs more watching and more regulation than many others. How often have I heard investment men say, "I know there are some things about the Securities and Exchange Commission that are not right but where do you think we would be without it?" "You have to have some government regulation, you know, otherwise the abuses would be as bad as ever." I am not arguing the point, it is the **attitude** that I am suggesting is indicative of a lack of faith, not only in the business itself, but of the men who are in it. We must have a government bureau on our necks because without it our business couldn't perform its functions properly and in the public interest. That's what these people mean if I understand them right. What a lack of faith in their industry, and in those who work in it, such an attitude suggests. How do these people expect the public to have faith in them when they have no faith in themselves?

For many years I have heard men who are engaged in the investment business apologize for their calling. The memories of the twenties and the depression thirties still haunt them. Years of public abuse of Wall Street by professional politicians still ring in the ears of many a man who has spent the greater portion of his life working in one of the most beneficial professions we have in this country today. For my part, I sometimes wonder how anyone who believes in freedom, and our American way of building up privately owned enterprise, can ever doubt the fact that he is contributing daily to the welfare of his country to a far greater extent when he is engaged in the investment securities business, than in practically any other line of endeavor.

I don't care what any demagogue, politician, business baiter, or just plain uninformed crank has to say about the men who make their living buying and selling securities, I know that without someone to go out and raise the money to buy the tools, build the factories, and pay the wages of the employees, the people of this country wouldn't have their present system of privately owned and operated American business which has supplied more material happiness and well being than has been provided anywhere on earth.

I know that I have been part of a small group of men who have faced and weathered every storm of depression, war, boom, and catastrophe that the mind of man has had to face during the past 28 years since I started out in this business as a young boy. Some of these men have made a great deal of money honestly and fairly, and they have contributed to the development of this country in every phase of its growth—from providing the capital for its great defense industries, its factories, stores and shops, its scientific advances, and in every phase of activity in which our people are engaged. Others have made a living selling securities to some other hardy, courageous, Americans who have believed enough in the future of this country to invest their money in these American business firms.

They say there are about 6,000,000 who believe in American enterprise strongly enough to have invested their savings in the common stocks of this nation's business firms. Some of them have seen their investments grow and prosper to an extent that those others who have **not believed** could never visualize as they have systematically buried their savings in so-called safe investments. Some have lost on their ventures in common stock investments but for them too I take off my hat—rarely have I ever heard a good, old-fashioned American risk-taker bellyache if some of his adventures in speculation did not prosper.

I believe in the people who are my customers—they are the backbone of this country. They have their money invested in jobs for the rest of us, they put up the cash to buy the tools, hire the experts and pay the salaries. They are the people for whom no apology is needed regarding Wall Street, or for any of those who work there.

As for my associates in this business all these years, I believe they are one of the finest groups of representative Americans you can find anywhere. That includes those I have known who have worked in the back office, the clerks, the secretaries, the cashiers. It includes those fellows who have labored far into the night digging away at figures and reports concerned with the future and the prospects for many a young, or an older American business firm. It surely includes those who have risked their own capital in underwriting billions of dollars worth of securities, and who sometimes have taken lickings that would have made lesser men despair and quit, yet they kept on and came back again. And there are these men who have made agreements involving millions of dollars every day in the week just on their spoken word, and who have never welshed on a contract no matter how much it went against them. It surely includes the salesmen I have known who have sometimes worked their hearts out to try and help their investor clients to build capital and produce a better than average income so that these people could live a little better.

And to sum it all up — that's what I believe we have been doing in the investment securities business all these years in this country—we've been helping people to live better. That's why I believe in this business and in what I am doing. That is why no one, or anything, can ever convince me that when I go to my office in the morning that I am not on a good mission, that every day is a good day, and that this is one of the most beneficial businesses in the best country in the world.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James E. Dorsey has been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles E. Parks and Ellis M. Steen are now connected with Investment Service Corporation, 444 Sherman St.

Shrinkage of the Dollar

By MARY G. ROEBLING*
President, Trenton Trust Company, Trenton, N. J.

Banking leader maintaining dollar's inflation gives distorted measure of prosperity, warns of its continuing erosion through public's contagion of fear. Endorses prophecy government will perpetuate prosperity via a shrinking money. Warning of prescriptions for making inflation "comfortable," declares actually postwar inflation may have created more human tragedies than spell of deflation would have.

By the standard of the Bureau of Labor Statistics' index of consumers' prices, the purchasing power of the dollar has shrunk by 47% since prewar 1939. This shrinkage in the dollar has been a matter of common observation. Most painfully aware of it are older people living on pensions, insurance proceeds, or money they have saved up. Universities find themselves threatened by the shrunken value of their endowment incomes. Trade unions cite increased living costs to back up demands for more pay, and "escalator" clauses, being written into more and more wage contracts, call for pay adjustments when the Bureau of Labor Statistics' index changes. Dollar profits of business, swollen by fictitious charges to cover replacement costs, give a distorted measure of prosperity as do the huge figures on wage and salary payments, national income, and so on.

Mary G. Roebling

The saver, however, is less apt to indulge illusions of prosperity. He ruefully compares the 2 to 2.9% he can get on government bonds with the 5% a year average rate of shrinkage he has been experiencing in the value of his money. Savings institions competitively are increasing interest rates offered depositors, within the modest limits of what they can earn under the government's "easy money" policies. People reconciled to a dollar of wasting value look around for real estate or other equity investments as a hedge against price inflation and dollar shrinkage.

Contagion of Fear

Even worse than an actual loss in the value of money is a contagion of fear that loss of value, under some inexorable force or another, is going to continue indefinitely. Some people today are contending that precisely this is going to happen, and there is considerable force in their argument. Good money has always been a hallmark of national strength and solvency. It is an essential foundation to the position to the position of the United States in the world today, as it is to economic order, progress, and justice. Thus when money loses value, and people say that it is going to keep on losing value, there are erosive forces at work. It is important to observe what these forces are.

Good Money and Bad

Fluctuations in the buying power of money are familiar over all history. Gold has had the best record over the centuries as a store of value. Paper money has been good when issued by banks which have been under a legal obligation to maintain convertibility into gold at the option of the holder. The old pound sterling and the old U. S. dollar were currencies of this type; their very names became synonymous with enduring value. Paper money directly issued by national treasuries has the worst record, though money can be just as bad if it is put out by a bank of issue which is free from the necessity of maintaining gold convertibility and bends to the wishes of a profligate government for cheap financing. Most of the worthless currencies issued in foreign countries during and after the war bore the stamp of a corrupted central bank of issue.

With the sole exception of gold coin, the pound sterling and the U. S. dollar have held their value better than most other currencies over the past century and a half. Numberless national currencies over this period have tumbled to worthlessness. The pound sterling in 1913, if anything, would buy more than it did a century earlier, and the same held true of the dollar. The pound, sheared from the gold standard in 1931, will buy about one-third as much today as in 1913, and its value is further impaired by stringent regulations on its use by the holder. The dollar, devalued against gold in 1934, will buy in consumers' goods 38% as much today as in 1913. (In either the British or the American case, the value of an earned pound or dollar is further reduced by the innovation of steeply progressive income taxes.)

The Record of the Dollar

The buying power of the dollar with the dollar of 1913 taken as 100 cents shows there are two extended periods of decline in the value of the dollar and one of rise. The outbreak of World War I in 1914, like every other major conflict in history, brought price inflation and was followed by more inflation culminating in 1920. The dollar then was down to 50 cents in terms of the 1913 dollar. Postwar price deflation brought a recovery to 59 cents and the value held in the range of 56 to 59 cents during the prosperous 'twenties. The great depression raised the value of the dollar, in 1933, to 77 cents. Since then it has shrunk in 15 years out of 18. The 1951 dollar is worth 38 cents in comparison with a 1913 dollar of 100 cents, and 53 cents in comparison with a 1939 dollar.

The common explanation of the shrinkage since 1939 is World War II. This was the cheapest war in our history in terms of the rates of interest paid by the government on borrowed money; by the same token it was the war in which the least financial inducement was offered to promote saving and the greatest reliance was placed on inflationary borrowing from the Federal Reserve Banks. The upswing in prices over the past 17 months was directly stimulated by the Korean war. But there is more to it than that. Professor Sumner H. Slichter of Harvard holds that certain government policies and practices are undermining the purchasing power of the dollar and that we thus have an "inflationary economy."

Government Policies Undermining the Dollar

Professor Slichter has spoken around this general theme for several years, and his apprehensions so far have proved remarkably correct. The following excerpts from a speech he made before the Savings Bank Association of Massachusetts, Sept. 22, 1952 bring out the main points in his analysis:

"(1) The policy of supporting the prices of farm products . . . is particularly important because it affects the price of food, and the price of food affects the wage demands of unions. . . . Parity prices of farm products are so defined that even in June, 1950, when the country was in the midst of a business boom, all six of the so-called "basic" crops were selling below parity and only six out of seventeen other crops included in the price support program were selling above parity . . . . During the present fiscal year, the budget calls for expenditures of $504 million for price support and related programs.

"(2) The policy of maintaining 'full' or high level employment . . . lessens the likelihood that the price declines of recessions will be offset by the price increases of booms. Consequently, the policy of maintaining or of encouraging full employment is likely to bring about a slow drop in the purchasing power of the dollar.

"(3) The policy of encouraging employees to organize . . . has resulted in a more than four-fold increase in trade unionists in the United States between 1933 and 1951. Considerably more than half the wage earners in manufacturing, mining, transportation, and construction are union members. The large trade union membership and the great strength of the unions make it likely that wages will rise a little more than output per manhour, which seems to have been increasing at the average rate of about 2.5% per year. . . .

"If the government were not pursuing the policy of attempting to maintain a high level of employment, one might question whether the upward pressure of unions upon wages would be inflationary or deflationary. It might be either, but I do not have time to discuss the reasons for this statement. If the government seeks to encourage a policy of full employment, however, the upward pressure of unions on wages will affect prices rather than employment. This means that unions, through their wage demands, are likely to be among the principal makers of fiscal and credit policies—having more influence than the people who appear to make those policies."

What Professor Slichter evidently foresees is that government by a combination of deficit-financing and easy credit policies, will stand ready to pump out more money whenever business falters, thus attempting to assure a perpetuation of prosperity based on a shrinking money.

A Universal Experience

Aside from coin possessing intrinsic value, shrinkage in the value of money has been worldwide. In the United Kingdom, where the decline in internal buying power of money has been a little greater than in the United States since 1939, the causes and consequences have become a live topic of discussion. The London "Economist" recently published a series of articles, prepared by an unidentified correspondent, on "The Age of Inflation." He predicts a gentle and indefinitely long climb in prices and the cost of living, world-wide, as a result of the strength of trade unions (producing upward pressures on business costs), the use of inflationary weapons (budget deficits, cheap money, and devaluations) to achieve full employment, the political shift in all democratic countries to the "left" (with expensive social services provided by taxing the savings of "the rich"), etc.

Among highly inflationary international factors, the "Economist's" correspondent mentions the end of free trade and the gold standard and "the new habit of intergovernmental charity."

"In the past if a country, through inflation or any other cause, was running an unfavorable balance of payments it had to stand on its own feet in the end and check the outflow by deflation. Since the last war, however, inflation in Britain and Europe has been floated off by Marshall Aid and the price level has never had to come down. Similarly, Indian inflation may well be floated off by the Colombo Plan. The unfavorable trade balance, in other words, is usually met by a kind fairy from without and the spending spree may continue. Moreover, the act of charity inflates the kind fairy in her turn. . . ."

After laying out this bill of particulars, the "Economist's" correspondent goes on to comment that "it is very difficult to think of any new deflationary factors of any magnitude to set on the other side."

The Escape of Escalation

The "Economist's" correspondent makes many more specific points than Professor Slichter but both emphasize the irreconcilability of the "full employment" objective with a stable money objective: if government acts to increase its spendings and the money supply every time business and employment fall off—as it were to "reflate" even before any real "deflation" has occurred — the peak levels of prices in successive "booms" are almost bound to move higher and higher. The prospect of chronic inflation, which they hold out, fouls up all sorts of money contracts between people and involves the most serious sorts of economic injustices. Professor Slichter deals with these but does not go much beyond suggesting the wisdom of home ownership, the purchase of common stock, setting a more adequate rate of interest on Savings Bonds, and offering a government bond that would have a redemption value determined by the official cost of living index. The wage-earner, he points out, has protection both in automatic wage escalation and in the fact that inflation makes more jobs than there are people to fill them, producing a natural upward pressure on wages and salaries.

Making Inflation "Comfortable"

The "Economist's" correspondent deals with the inequities of an inflationary economy in a more comprehensive way. "We have made our inflationary bed and we

Continued on page 27

*Mrs. Roebling's participation in a panel discussion before National Federation of Business and Professional Women's Clubs in New York City.

In Memoriam

DOCTOR MAX WINKLER

Prominent Wall Street Luminary passes away suddenly. Noted Economist, Scholar, Editor, Author, Teacher, Lecturer and Financial Writer dies in his 60th year.

Dr. Max Winkler, age 60, partner in the New York Stock Exchange firm of Bernard, Winkler & Co., 11 Wall Street, this city, died Sept. 4 at the home of his son Dr. Howard A. Winkler, at Pardeeville, Wisconsin, where he had recently gone to regain his health. Dr. Winkler came to New York as an emigrant boy from Rumania, his native country, in 1910. He studied in the New York public schools and received an M. A. degree from New York University in 1916, and a Ph. D. in 1918. He taught languages in the New York High Schools from 1916 to 1919.

Dr. Max Winkler

Dr. Winkler, pursuing his natural bent, became Manager of the foreign department of Moody's Investors Service in 1921 and Vice-President and director of the New York investment banking house of Griscom & Co. until 1932 when he became Financial Editor and Economist of the North American Newspaper Alliance from 1932 to 1934. In 1934, Dr. Winkler was appointed Economic Adviser of the Senate Subcommittee on Banking and Currency. Dr. Winkler joined Bernard, Winkler & Co. in 1932.

Dr. Winkler had wide connections during his career, lecturing at the Latin American Institute and serving on the board of the National Securities and Research Corporation. He was also a member of the Academy of Political and Social Science, the American Statistical Association and the Economists' National Committee on Monetary Policy. Dr. Winkler was a Commander of the Crown of Rumania, a member of the New York Stock Exchange Club and Editor of "Winkler's Manual of Foreign Corporations." His authorship of books included "United States Capital in Latin America," "Foreign Bonds," and "America, the World's Banker."

Dr. Winkler is survived by his wife, Beatrice and two sons, Dr. Howard A. and Robin Winkler.

Few men in the financial world have enjoyed the versatile Wall Street career and educational interests that Dr. Winkler so successfully filled as teacher at City College of New York, Editor, adviser to the Senate on Banking and Currency, Economist and as one of the leading authorities on foreign government bonds. In the latter capacity, he was so highly regarded that "Street" houses turned to Dr. Winkler for his advice and opinion on foreign issues.

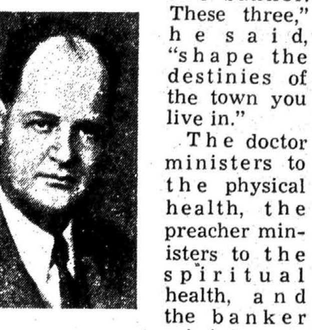
Dr. Winkler was a frequent contributor to the "Chronicle's" columns, writing on international subjects, and was well known to our readers for his versatility in Wall Street matters and for his intellectual urge in educational and editorial interests.

Changes in Farm Credit

By IVY W. DUGGAN*
Vice-President, Trust Company of Georgia, Atlanta, Ga.

Speaking of growing agricultural credit needs and the changes that have produced greater dependence on credit by farmers, Mr. Duggan points to the rise in value of farm lands and increased costs in farm operations. Finds size of individual farm loans is larger and debt arising from farm operations has grown greater and more rapidly than mortgage debt. Warns serious drop in farm commodity prices, caused by rising surpluses, would "bring about a storm," but holds long-term outlook is for increased domestic demand for farm products.

In a recent statement, a national figure said, "the three most important people in any community are the doctor, the preacher, and the banker. These three," he said, "shape the destinies of the town you live in."



I. W. Duggan

The doctor ministers to the physical health, the preacher ministers to the spiritual health, and the banker ministers to the economic health of the community. The doctor does more than treat the sick; he devotes much of his time and energies to preventive measures. He is responsible for the health standards of the entire community. The preacher does more than preach on Sunday. His is a full-time job seven days a week. To a very large degree he shapes the moral and social standards of the community.

The banker does more than receive money for safe keeping and lend money. He shapes to a very large degree the economic growth of the community. The policies he follows can retard the economic development of the community or, which to me is often more damaging, he can through easy credit policies encourage unsound use of the financial resources of the community and encourage inflation, which, if followed to its ultimate conclusion, ends in disaster. He must know when to restrict credit and when to expand credit. Also, he directs the uses of the available credit. He determines to a large extent when the merchant increases or reduces his inventories; when the farmer expands his production of crops and livestock and livestock products, also when the farmer reduces his output. The manufacturer goes to his banker for funds so he can increase production, which, of course, gives more people employment. Of course, there are many other ways in which the banker influences the economic growth of the community.

The community which has a good doctor, a good preacher and a good banker is a healthy, prosperous and pleasant community in which to live.

Let's get back to just one phase of the banker's activities—credit to agriculture. We have seen in fairly recent years some rather significant changes in farmers' needs for and use of borrowed funds in their farming business.

Credit Requirements Increase

Farmers' needs for credit have greatly increased since pre-World War II. In that period our whole price and cost structure has changed. These changes have greatly increased the number of dollars farmers need to borrow to carry on their operations compared with prewar levels. According to BAE's Balance Sheet of Agriculture the present value of all farm land is about 2¾ times what it was in 1940. Prices paid by farmers are 2¼ times 1940. The total value of non-real estate physical assets such as livestock, machinery, crops stored on farms and household furnishings is 3½ times 1940. (See Table I.) But if we look at these items without considering household furnishings they are four times 1940.

Size of Loans Larger

The average farm mortgage recorded in 1952 by all lenders was 2½ times as large as that in 1940. Fewer figures are available for non-real estate loans. However, for commercial banks there was nearly a 60% increase from 1944 to 1950 in the average size of non-real estate farm loans. In this same period the average size of farmers' loans from Production Credit Associations increased by 66%. But if we go back to 1940 the average size of PCA loans today is three times as large.

Operating Debt Larger Than Mortgage Debt

One of the most significant changes in the credit structure during the past 12 years has been the increase in relative importance of short-term credit. Up until the last four years the farm mortgage debt—as far back as we have records—was always larger than the non-real estate debt. For example, in 1940 the total real estate mortgage debt was $6.6 billion. Farmers' total non-real estate debts—including loans from commercial banks, Production Credit Associations, merchants and dealers—was $3.4 billion.

From 1940 to 1946 farmers' repayments on their real estate mortgages out of high war-time income resulted in an over-all decrease in the total farm mortgage debt until it got down to a total of $4.7 billion. Since that time there has been a slow increase in the farm mortgage debt until it is now $6.7 billion. On the other hand, the non-real estate debt increased all during the war and since. It now stands at $9.2 billion. Farmers' total non-real estate debts passed their total mortgage debts in 1949.

Total Mortgage Debt Has Risen Slowly

The relatively slow but steady increase in mortgage debt after 1946 has been due to a combination of factors. Since 1946 the average value of farm land has risen 50%. A large number of younger farmers have had to borrow to get started in farming. Many farmers have been making long-term improvements on their farm property.

However, the total farm mortgage debt is still smaller than it was in the 1920's and 1930's. But we must remember this debt is not evenly distributed among farmers. Thousands of older farmers got their farm mortgage debts well in hand or paid them off entirely during the years of high farm income during and right after World War II. However, thousands of younger farmers who have started after the war have had to go heavily into debt to buy high-priced land. Most of them have not yet had time to get their mortgage debts down to levels that would not be burdensome in times of low income.

Increase in Operating Debt Due To Many Things

The very rapid increase in the short-term operating debt has been due to many things. These factors include the greatly increased mechanization of farms, the expansion in the size of the average farm business, enlargement and improvement of pastures, the increase in the number of livestock on farms, modernization of farm homes, the increased adoption of conservation practices, the increased use of fertilizers and lime, and the rising costs of everything that goes into farm production.

Trends Most Striking in Some Areas

These trends are more striking in areas where such shifts are most active and still more so on individual farms making such transitions. It is not difficult, for example, to visualize the difference in capital and credit requirements of a mule-powered cotton farm and one where the entire crop acreage is devoted, with the help of a tractor and related equipment, to maintaining a herd of dairy cows producing market milk. After a shift of this kind, the non-real estate capital might equal or even exceed the real estate capital.

The most important change is the financing of the dairy herd. A dairy cow is an expensive piece of equipment, and the purchase price ordinarily cannot be paid for out of one year's net income. Usually a dairy barn must be built and special equipment installed. Credit for these purposes generally calls for a repayment period longer than one year. The exact length of the repayment period will depend, however, on a number of circumstances.

Another example is seen in a study by the Bureau of Agricultural Economics of hog and beef farms in the corn belt. It shows that farmers' investments in machinery and equipment in 1951 were 2½ times what they averaged in 1937-41. The value of livestock is 4½ times as high and the value of crops stored on these farms almost 5 times. (See Table II.)

On Southern Cotton Farms in the Piedmont Region investments in machinery are up about four times; livestock investments are up only 50%, while land values are up three times what they averaged in 1937-41. (See Table III.) The cotton farmer has a larger percentage of his funds invested in land than is the case with the livestock farmer. As cotton farmers continue to increase livestock production a smaller and smaller portion of their capital should be invested in land. Non-real estate investments in cattle, machinery, feed, and equipment will increase. For all farmers in the State of Georgia, the value of machinery, equipment and of livestock has increased much more than on cotton farms. In fact, Georgia farmers spent more for gasoline, fuel, oil and repairs for farm machinery in 1949 than the total value of all implements and machinery on farms in 1930.

Many Other Shifts Being Made

These shifts merely illustrate the wide variety of adjustments which farmers over the United States are making. There is an equally wide variety of short-term, intermediate-term and long-term credit combinations. However, most of them have at least two characteristics in common: the total amounts of credit used are larger than before, and there is a substantial increase in the proportion of credit requiring repayment periods of more than one year but less than the usual real estate loan.

Production Expenses Up

Another important change in the financial picture is the heavy increase in the day-to-day production costs of farming. According to the Bureau of Agricultural Economics farmers' production expenses in 1952 were 3½ times as high as they were in 1940. That of course, means farmers have to have bigger short-term operating loans. The most important factor in these higher costs is, of course, higher prices for everything the farmer uses plus higher labor costs and taxes. Also important, however, are the increased use of such things as fertilizer, lime, insecticides and improved seed varieties. Also, the volume of production is up as a result of increased yields. That, of course, increases harvesting and marketing expenses.

Cornell Study

Cornell University a few years ago made a study of some dairy farms in New York State that point up importance of several of these trends we have been discussing. Their study shows that in 1947 the capital used on these farms was about 3½ times as large as in 1907. Yes, farm receipts were up too. In 1947 they stood at 8½ times 1907. But production expenses were 14 times as high. The report on the study points out that in 1907 it took 9.7 years for a farmer's expenses to equal his capital investment. In 1947 it would take only 2.5 years. Therefore, in 1907 if a farmer ran into a period of low prices or poor crops it would be 9.7 years before his expenses equaled his capital investment. By 1947 his expenses would have equaled his investment in 2½ years. The report goes on to say:

"A falling price level could wreck the modern farmer, but not so much because of debts as because of high and relatively fixed expenses for equipment, gasoline, fertilizer, insurance, electricity and the like.

"Farming has always been a gamble. The stakes are much higher now than 40 years ago."

Other Studies Show Similar Relationships

An analysis of cost account records in Northern Illinois, Eastern Iowa and Southern Minnesota for the shorter period of 1940 to 1951 shows much the same trend in relationship between farm expenses and capital investment.

In Illinois it would have taken 6.9 years in 1940 for expenses to equal capital investments. By 1951 it would have taken only 3½ years.

In Iowa it would have taken 4.5 years in 1940 for expenses to equal a farmer's capital investment. In 1951 only 3.8 years.

In Minnesota it would have taken 5.9 years in 1940 and 4.1 years in 1951.

Warning Signals

There are some warning signals on the horizon for both lenders and farm borrowers.

Farm prices have dropped 10% in the past 16 months. Price supports have prevented some farm commodities from declining further.

Collections in some areas have been slower and deferments, extensions and renewals have increased. Many farmers are finding it harder each year to pay completely out.

Total farm debt is increasing each year. January the 1st 1947 total for debt amounted to $8.3 billion and on January the 1st 1952 amounted to $15.9 billion. This is an increase of $7.6 billion in some six years. While the total debt is at record levels, it has not increased in proportion to the increase in total farm assets.

Carryovers and surpluses of farm commodities are beginning to increase.

Exports of farm commodities have fallen off and we may find it even more difficult to sell our surplus farm commodities abroad, especially if we are not willing to buy goods from abroad.

Prices of the things the farmer sells are declining more rapidly than the prices of things that the farmer buys, which is putting a squeeze on net farm income.

As I stated earlier there are warnings that the farm economic barometer is dropping some but

TABLE I

Physical Assets—	Jan. 1, 1940	Jan. 1, 1952	Percent Increase
	(Million dollars)		
Real estate	33,642	94,586	181
Non-real estate:			
Livestock	5,133	19 600	282
Machinery, motor vehicle	3,118	15,308	391
Crops stored	2,645	8,885	236
Total farm non-real estate	10,896	43,792	302
Household furnishings & equip.	4,275	7,668	79
Total non-real estate	15,171	51,460	239
Total physical assets	48,813	146,046	199
Percent non-real estate	31.1	35.2	
Farm Production Exps. (U. S.)	6,600	23,000	249
Farm Production Expenses (Ga.)	126	350	178

TABLE II

Increase in Certain Capital Investments on Georgia Farms

	1940	1950	Percent Inc.
Value Land & Buildings	480,344,531	1,114,505,660	129.9
Value of Mach. & Equip.	35,663,186	140,000,000	292.5
Value of Livestock	81,742,977	143,680,254	75.8
Totals	597,750,694	1,398,185,914	133.9

TABLE III

Capital Requirements in Farming[1]

	Hog-beef fattening. Corn Belt			Dairying Eastern Wisconsin			Cotton Farms South Piedmont Region		
Item—	1937-41	1951	Pct. Incr.	1937-41	1951	Pct. Incr.	1937-41	1951	Pct. Incr.
	Dollar items in thousands								
Acres	195	214	10	115	123	7	158	162	3
Investment—									
Machinery & equip.	$1.3	$3.2	146	$1.3	$4.8	269	$0.3	$1.2	300
Livestock	2.4	10.8	350	1.8	6.2	244	0.6	0.9	50
Crops	1.4	6.7	378	0.4	2.1	425	0.2	0.4	100
Sub-total	$5.1	$20.7	308	$3.6	$13.1	264	$1.1	$2.5	127
Land	15.8	46.4	194	8.7	19.8	128	3.6	10.6	194
Total	$20.8	$67.1	223	$12.3	$32.8	167	$4.7	$13.1	179
Percent in land	76.0	69.2	---	70.7	60.4	---	76.6	80.9	---

[1] Data from Farm Costs and Returns, 1951, with Comparisons, F. M. 93, Bureau of Agricultural Economics, USDA, June 1952. Due to rounding, the individual items may not always add precisely to the totals.

*An address by Mr. Duggan at County Key Bankers Convention, Atlanta, Ga., Aug. 19, 1953.

not enough to indicate a storm. The economic weather is in the making and it looks as if agriculture may expect some decline in prices of farm products, in gross farm income and even more of a decline in net income during the mid 50s. However, the long-time outlook is for increased domestic demand for agricultural commodities. The increasing population is in time going to create greatly increased demands which will benefit agriculture. Today we are concerned in the case of many farm products with declining farm prices, price supports, surpluses, marketing quotas and production costs. These are real problems with us now. They must be dealt with. However, out ahead we have the problems of feeding and clothing the increasing population. This will require increased production. There will not be much more land available. Therefore, increased supplies of food and fibre will come most likely through increased production per acre, per animal and per agricultural worker. The greatest opportunities for increased production are in the South. Increased capital will be needed and we need to be looking ahead of these future problems while dealing with the ones we have.

Caution on Loans

The drop in the farm economic barometer does not mean that bankers are going to withdraw from the agricultural credit field. It does not mean that they will fail to meet the sound needs of agriculture for credit. It does mean, I think, that bankers generally will encourage farmers to cut down on expenses in every way possible and to use as little credit as possible; that they will be a little more careful in lending to the inefficient farmer and the farmer who speculates in his production. I think they will see that loans are productive loans and are self liquidating. A banker, more than anyone else realizes that a loan that is not good for the farmer is not good for the bank either.

I have been studying with a great deal of interest the minutes of your agricultural committee at your meeting last May. You adopted a most worthwhile program of work, a program that will contribute much to the agricultural development of the State of Georgia. The Trust Company of Georgia is ready to cooperate in every way possible with you to make your program a successful one. We have not yet developed an expanded program of work for the agricultural department of the Trust Company. We want to work with the bankers of the state in further developing our work. We want you to tell us what you would have us do, tell us how we can be of service to you in assisting in the development and full utilization of the agricultural resources of the state on a sound basis. Of one thing I am certain, and that is that **in our work we will operate with and through the local banks and never around them.**

Bankers in Georgia as well as bankers in other parts of the country can take pride in the agricultural debt situation. This time we have not had the rapid increase in Farm Mortgage debt that accompanied the land inflation or boom that took place during and following World War I. For the country as a whole, real estate values are almost three times what they were in 1940. The mortgage debt is the same that it was in 1940 and is only a little more than half of the peak reached in the early 20s ($6.7 billion now compared with $10.8 in 1923). The picture is quite different in city real estate where we have the largest debt in history with the smallest equity to debt and with some of the poorest construction.

In the short-term field the farm debt has gone up much faster than the mortgage debt but even here the gross income and production expenses have each gone up almost four times since 1940 while the non-real estate debt has gone up only about two and three-quarter times. (Gross income $10.9 billion in 1940 and $37.3 billion in 1952. Production expenses $6.6 billion in 1940 and $23.0 billion in 1952. Non-real estate debt $3.4 billion in 1940 and $9.2 billion in 1953.) This picture for agriculture is quite different from the instalment credit and consumer debt picture outside of agriculture.

In times of depression bankers have to lend with courage. In times of inflation, they have to lend with caution. Now is the time for caution in the use of agricultural credit.

Household Finance Debentures Offered

An investment banking syndicate managed by Lee Higginson Corp. and William Blair & Co. is offering today (Sept. 10) $10,000,000 of five-year 3⅞% debentures, due 1958, and $15,000,000 of 15-year 4⅛% debentures, due 1968, of Household Finance Corp. Both issues are priced at 100% and accrued interest.

The five-year bonds are redeemable at prices ranging from 102½% plus accrued interest after Sept. 1, 1955, to 100 after Sept. 1, 1957.

The 15-year bonds are redeemable starting at 104% after Sept. 1, 1956 and decreasing at one year intervals thereafter to 100% after Sept. 1, 1967.

Proceeds of the sale will be used to provide additional funds for lending to customers in the usual course of business.

Household Finance Corp. maintains 588 offices in 29 states and 10 Canadian provinces. Net income for the six months ended June 30, 1953, was $7,966,299, with total operating revenue of $40,346,466. Customer notes receivable have gained about $200,000,000 in the past six years. On June 30, 1953, customer notes receivable amounted to $337,121,232, an increase of $13,193,842 over the amount at the start of the year and $35,283,033 more than the amount on June 30, 1952.

Business Man's Bookshelf

Today's Revolution in Weather—William J. Baxter—International Economic Research Bureau, 68 William St., New York 5, N. Y.—cloth—$3.00.

Why Do People Buy?—By the Editors of "Fortune" — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—cloth—$3.50.

Protecting Your Family

By ROGER W. BABSON

Mr. Babson gives advice and instructions for protecting one's family in event of death. Discusses impact of estate taxes and means of avoiding second tax at decease of beneficiary. Stresses advantages of creating trusts for various beneficiaries.

I have been rather disturbed to meet some very old friends who have lost their husbands and are disappointed with the way his estate has been divided. The husband left no will, and the needy heirs did not get the money. It didn't seem quite fair to leave the same amount to a son who is in good financial condition as was left to a daughter who had had polio. I have already urged the necessity of everyone making a will under proper legal advice; but I now also urge the use of a local bank for trust funds.

Roger W. Babson

Protecting Your Widow

Instead of leaving all or one-third of your estate to your wife outright, leave her portion in trust with instructions to this effect: "My wife is to receive the income and also to receive some of the principal if, in the bank's opinion, she at any time needs extra money. When she dies the bank will distribute the remaining property to my children." Your wife would be of advanced age. She has never bought and sold securities, collected income from investments or filled out income tax returns. By such a trust the property would be managed by an experienced trustee. Your widow would then be happier and safer.

When you die your widow will be pestered by people who want to borrow. Some of these may be relatives and friends who would be hard to turn down if the money is left outright. If, however, the money is left in trust, she can honestly say to these people: "I am sorry; but all my money is in trust, and I cannot do what you want." This may be a Godsend to all the relatives, as well as to her. If the relative or friend is really entitled to the money, there are other places to borrow.

Protecting Your Daughter

Another reason for leaving property in trust, especially for a married daughter, is to make sure that at her death, or in case of re-marriage, your grandchildren will someday receive the property. It is very hard for a young wife to refuse her husband if she has money in her own right; but if it is in trust, her husband cannot lose it and yet would not be offended. Then you can be assured that your grandchilren will receive the property eventually, instead of, perhaps, some persons you have never known.

Your will could direct that your daughter receive certain income for life, and at the daughter's death, after the children reach a certain age, the property be divided among your daughter's children. Or you may be the owner of a business which you would like to leave to a young son. If so, why don't you leave the business in trust jointly with a bank and your son? The income could be payable to your wife for life, after paying a fair salary to your son; and at her death, the business go to the son at a certain age. You, of course, would give the two trustees ample powers to meet all unforeseen changes that may arise.

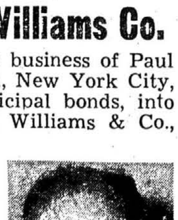
Remember Estate Taxes

The Federal estate tax can often be lessened by leaving property in trust and eliminating a "second" tax. For instance, if you leave your entire estate outright to your wife or daughter, the Federal estate tax at your death would be considerable and, if she dies more than five years later, leaving to a child all your property, her estate must pay a second Federal tax. This second tax could be avoided by leaving your property in trust, without a "general power of appointment" with the income payable to your wife and/or daughter for life and then going to the grandchildren.

The above tax saving can also be accomplished by "splitting" your entire estate while living, or by leaving it so that only half would be taxed at your death, and the other half at your wife's or daughter's death. Then the Federal estate tax would be very much less. In this case, instead of one trust for your wife, there would be two. For one of these your wife could hold a "general power of appointment." Then only one of those trusts would be taxed at her death—namely, the one as to which she held a "general power of appointment." The other trust, though the property in it would be taxed at her husband's death, would escape tax at her death. In closing let me say I am not a lawyer. I got these general ideas from George L. White, Attorney for and Trust Officer of the Newton-Waltham Bank of Newton, Mass., with which bank I have formed trusts for my wife, daughter and grandchildren.

Paul Frederick Joins Baxter, Williams Co.

Merger of the business of Paul Frederick & Co., New York City, dealers in municipal bonds, into that of Baxter, Williams & Co., has been announced.



Paul Frederick

Paul Frederick has been admitted to general partnership in Baxter, Williams & Co. as resident partner in the firm's New York office at 70 Pine St. Mr. Frederick operated his own securities business since 1948, prior to which he was a Vice-President of the Commerce Union Bank of Nashville, Tenn. in charge of investments and the bond department. Before serving with the bank, he was associated with C. F. Childs & Co.

Baxter, Williams & Co., with headquarters in Cleveland and branch offices in Detroit, Columbus, Philadelphia as well as New York, is engaged in a general investment business, dealing in government, municipal and high grade corporate securities.

San Antonio Invest. Women Annual Dinner

SAN ANTONIO, Tex. — Mrs. Jack Middleton of Dewar, Robertson and Pancoast will be installed as 1953-54 President of the Investment Women of San Antonio at the group's annual dinner meeting, to be held Sept. 22, at 6:30 p.m. in the Tapestry Room of the St. Anthony Hotel. Other new officers to be installed include: Mrs. Robert Crumley, of First of Texas Corporation, as First Vice-President and Chairman of Educational Programs; Mrs. Mildred Nicklin, of Austin, Hart and Parvin, as Second Vice-President and Chairman of Social Activities; Miss Ann Lagleder, of Russ and Company, as Recording Secretary; Mrs. M. E. Krumm, of Dittmar & Company, as Corresponding Secretary; Miss Lillian Kocian, of Rauscher, Pierce & Company, as Treasurer; Miss Carrie Lee Ayers, of Bache & Company, as Member-at-Large, and Miss Olga Kocurek, of Rauscher, Pierce & Company, as Member-at-Large.

Mrs. Jack Middleton

Mrs. Mildred Nicklin

The retiring President, Miss Olga Kocurek, will preside at the meeting, and she and other retiring officers will make reports on the club's educational and fellowship activities carried out during the past year.

The principal address of the evening will be given by A. E. Robertson, partner of Dewar, Robertson and Pancoast.

The installation ceremony will be conducted by Miss Ethel Evans of Columbian Securities Corporation, after which Mrs. Middleton will take charge as new President. She will represent the membership by presenting a gift of appreciation to Miss Kocurek for her services during the past year. Mrs. Middleton will also appoint the various committee chairmen for the ensuing year.

Invitations to attend the annual meeting have been extended to members of the organization's new Advisory Council, who are: Cecil J. Cox, Columbian Securities Corp.; W. Wallace Payne, First of Texas Corp.; W. T. Sikes, Dewar, Robertson & Pancoast; George A. Small, Russ & Company; Leslie L. Lentz, Lentz, Newton & Co., and John D. Williamson, Dittmar & Company, and to other principals of investment banking firms whose women employees are members of the Investment Women of San Antonio.

Louis J. Kocurek and Arnold J. Kocurek, Rauscher, Pierce & Co., will be hosts at a cocktail period preceding the dinner, to which are invited all members and guests who will attend the meeting. This will also be held in the Tapestry Room of the St. Anthony Hotel, and will begin at 5:00 p.m.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership William L. Taylor, Jr., of Taylor & Co., Chicago.

THE MARKET . . . AND YOU

By WALLACE STREETE

Despite some rather widespread convictions that Labor Day was a day of peril for the stock market this year, the list passed the critical period this week with nothing worse than boredom to worry about. Apparently the precautionary selling of the last couple of weeks had trimmed the sails adequately with little left to discount, a possibility voiced here several times in recent weeks.

* * *

While this, consoling as it may be, is on the negative side, the fact is that little positive has emerged from the market's action this week, or recently for that matter. The principal debates of the moment are whether there was a "selling climax" last week, and whether or not the new low for the industrial average was a valid penetration.

* * *

Selling Climax Passed?

The sharp increase in volume on the severe sell-off of Aug. 31 could suggest a selling climax, leaving little liquidation for the market to absorb until there is some pertinent news or some new statistics to force a general lightening up. Only time will tell whether the list is oversold or merely pausing for awhile.

* * *

On the importance of the "signal" supposedly given by industrials joining the rails in new low territory for the closing averages, there is little agreement. The pessimistic side claims the signal signified a bear market, but there are many loud dissents to this view. That the intraday low this time held about an eighth of a point above the intra-day low in June when the previous lows were recorded is the straw giving solace to the bulls.

* * *

Seasonal Odds Anti-Bullish

The chief fact that stands out is that the bulls have their work cut out for them if they intend to support their cause. September, traditionally, has been a somewhat poor month for stocks. For one, it normally is the month in which the market reacts after the labors of the summer rally, a seasonal manifestation almost as faithful as the other annual regularity, the year-end really. The year-end upturn, however, has little chance to start until late in October at the very earliest and, despite some wishful thinking, there is little in the way of tax switching apparent this early in the year and little likelihood that investors are going to be talked into doing this adjusting any earlier than usual.

* * *

In all the pessimism the market is showing over earnings and yields—no less than 60-odd issues selling at a 10% or better yield — the aircrafts seem to have overcome all the disfavor in belated response to sterling earnings and, in a couple of cases, good dividend action. Of the basic makers, no less than Boeing, Curtiss - Wright A stock, Douglas, Lockheed, Northrop, Republic and United Aircraft were able to hold unchanged or post minor increases throughout the deluge of last month.

* * *

Food and Clothing Issues Improving

There also seems to be a rather widespread trend toward a realization that people are going to need food and clothing, issues in both these groups showing better price action somewhat consistently recently. Ward Baking, for an illustration, is holding around the best price in its history, which is an unique accomplishment in a year as discouraging as this one has been so far. Lane Bryant has been hovering around a point below the 1952 high, at the best level since War II. W. T. Grant recently has been within a couple of points of the 1951 and 1952 highs which, again, can't be said for too many stocks around.

* * *

Utilities, obviously, have fared well. This is true both average - wise and individually, some of them standing out through the August pummeling with good gains on the month despite the prevalent easiness. St. Joseph Light in the sick month was able to add 7¾% to its value to make it a star performer. Other good monthly increments included Colorado Public Service's 6½% advance, the better than 6% for Delaware Power, 5% for Pacific Lighting and Central Hudson Gas and the 4% or more added by Atlantic City Electric and Florida Power Corp. Even slow moving stalwarts like Consolidated Edison, Cleveland Electric and Dayton Power were able to add 1¼% or more to their value. This was in the face of a better than 5% decline for industrials generally, with individual issues down from 12 to

20% fairly common. In short, the market is still a highly selective one both between the various issues and the various issues in each group.

* * *

Studebaker, one of the more depressed of the automotive shares, finally ended its downhill slide, at least temporarily. In August alone it lost more than 14% of its value, despite maintaining a dividend rate that up to now hasn't been earned. Some rare unanimity featured the market analysts' prediction that the company will end up the year with around $4 net profit, covering the dividend by a dollar after all. It seems to have helped unless the current upturn is merely the result of some sizable short covering not yet reported.

* * *

Special Activity in Davison

Davison Chemical was perhaps the week's chief individual feature after W. R. Grace invited tenders of the common of up to 180,000 shares at $40 a share, a price more than half a dollar above the best recorded so far this year although well under 1952's $49 and 1951's $47. The stock was picked up after the announcement in both cash and regular way dealings.

* * *

That the company means business is clear. In a somewhat unusual drive, Grace offered half a dollar to National Assn. of Securities Dealers members for help in soliciting tenders and appointed Merrill Lynch, Pierce, Fenner & Beane as the agent to seek offerings on a broad scale. Once a majority of the 803,000 shares outstanding is acquired, Davison would be voted over as a subsidiary of W. R. Grace which already holds 234,569 shares. The deadline is Sept. 28.

* * *

Davison provides a somewhat extreme but still a valid picture of what happens when there is some buying interest. It was one of the handful able to buck the trend recently and on the tender annoucement spurted to where there wasn't much profit left in it for a trader. Like other issues in which there has been persistent buying, Davison is down to a yield of around 4%, which is an entirely different story than in the case of the neglected bellwethers elsewhere. U. S. Steel and Bethlehem, Chrysler and General Motors, Seabord Air Line and Cheasapeake & Ohio, to name only a few, are down to where their yields are from slightly under 8 to more than 9%.

* * *

The 64-Dollar Ouestion

Such high yields on quality issues are a bit of a puzzle, if the market is to be right as a barometer. Profits and payments are in for some drastic trimming all out of proportion to the economic forecasts generally, or the market is clearly wrong. With the Excess Profits Tax expiration due to free some fat per-share additions for the companies, dividends at least statistically seem to be well protected. The more measured market spectators see in this the fact that the market has pretty well discounted anything that's ahead for some time. In their view it seems immaterial whether new and slightly lower lows are to be seen in the next couple of months; the worst is over unless the general business deterioration is to be far more drastic than now foreseen.

[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.]

F. I. du Pont Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Charles S. Berger has been added to the staff of Francis I. du Pont & Co., 9640 Santa Monica Boulevard.

Louis C. Hebert With Wm. C. Roney & Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — Louis C. Hebert has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. Mr. Hebert was formerly with Titus-Miller & Company in their trading department and prior thereto was with Moreland & Co.

With Renyx Field

(Special to The Financial Chronicle)

NEW ORLEANS, La. — Wirt Butler has joined the staff of Renyx, Field & Co., Inc., 322 Carondelet Building.

J. N. Green, Jr. With Richard E. Kohn Co.

NEWARK, N. J. — Joseph N. Green, Jr., has become associated with Richard E. Kohn & Co., 20 Clinton Street, members of the New York Stock Exchange, it was announced by Richard E. Kohn, senior partner. During his 25 years in the securities field, Mr. Green has been connected with L. F. Rothschild & Co., New York, and more recently with Walston & Co., East Orange.

With Keller & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Leonard Seligman has become affiliated with Keller & Co., 50 State Street.

Douglas' Report on Causes of And Remedy for Dollar Shortage

Former U. S. Ambassador to Britain, in transmitting his conclusions on financial and economic conversations between representatives of U. S. and United Kingdom, says long imbalance between dollar and most other currencies is result of maladjustments in world trade, and urges a more liberal foreign trade policy.

Lewis W. Douglas, former U. S. Ambassador to Great Britain, who was commissioned by President Eisenhower to study and report on the financial and economic discussions held in Washington last March between representatives of the United Kingdom and United States, sent his report in the form of a letter to the President. This letter, a copy of which was transmitted to Clarence Randall, Chairman of the Commission on Foreign Economic Policy, was made public by the White House on Aug. 24.

Lewis W. Douglas

The text of the Douglas report follows:

July 14, 1953

Dear Mr. President:

It has become increasingly apparent that the long continued unbalance between the dollar and most other currencies reflects serious maladjustments in world trade which cannot be permanently and satisfactorily corrected by the supply of American governmental dollars, or by governmental restrictions and limitations imposed on the convertibility of currencies and the flow of international commerce, especially the flow of American goods into foreign markets. In recognition of the importance of these issues, a conference of Commonwealth Prime Ministers was held in London during last November and December. It unanimously agreed that the solution should be sought through progressively freer trade and convertibility of currencies and designated the United Kingdom as the spokesman for the Commonwealth in the discussions of the problem with other governments.

Against this background arrangements were made for Mr. Eden's and Mr. Butler's visit to Washington in the early part of March, and it was to participate in the financial and economic discussions which it was known would take place during their visit that Mr. Dulles, in your name and on his own behalf, requested that I come to Washington, temporarily, to act as his deputy.

At the Washington meetings there was a full opportunity for an exposition of the views developed at the Commonwealth Conference and for discussion of measures that might be taken to effect a further liberation of trade and currencies from some of the existing restrictions and limitations. And on the British side the view was expressed that correction of conditions internal to the United Kingdom and the Commonwealth was essential to the reestablishment of international economic health. At the close of the Washington conference with the British Ministers, it was agreed that both governments would give further consideration to and undertake a study of the problems which had been raised in order that each might have a clearer judgment of the steps that each might take in the direction of our common goal.

Toward the end of March, at your request and with the approval of Mr. Humphrey and Mr. Stassen, Mr. Dulles asked me to continue to serve as his deputy for the purpose of studying and considering the economic and financial problems that had been discussed with Mr. Eden and Mr. Butler.

This letter records my views, condensed as much as possible, on the questions of trade and currency, particularly as they are related to sterling, which I was asked to examine. This assignment necessarily entailed conversations with officials of our own government, and it suggested using my trip to London in May as a convenient occasion for many private and informal discussions with Mr. Butler, other members of the British Cabinet, and various people drawn from all walks of life.

U. S. Deeply Affected

The national interests of the United States are deeply affected by the status of sterling and the financial strength of the sterling area. The sterling area embraces all of the members of the Commonwealth (excepting Canada), the United Kingdom, the Crown Colonies, the Republic of Eire and a number of other countries. It is, therefore, not synonymous with the Commonwealth and the Empire. There are, however, political affiliations and emotional ties between all the members of the Commonwealth and the Empire on the one hand, and sterling as a currency on the other. Within the sterling area sterling is the monetary medium through which all financial and commercial transactions are cleared, and through which financial and commercial affairs with other currency areas are transacted. The common gold and dollar reserves for the entire area are held in London which is the center of an intricate network of associations between banking and trading houses throughout the whole sterling territory and the Commonwealth. In spite of its present limitations, a larger part of world trade is conducted in sterling than in any other currency.

Sterling Convertibility Essential

Because sterling is a world currency, its fuller convertibility is essential to the restoration of economic freedom in large parts of the world. Other currencies may become convertible, but, in the absence of convertibility of sterling, the influence on the international economic environment will be limited. The convertibility of sterling, on the other hand, would have favorable and marked effects on the international economic environment, even in the absence of convertibility of other currencies. Accordingly, as sterling becomes more and more freely transferable into other currencies, particularly into the dollar, the economic choices which individuals enjoy become greater, the dominion of competition and of individual initiative becomes larger and the area of economic freedom expands.

It is doubtful whether the world can recover a high degree of economic freedom or whether American exports — so important to large segments of our country— can enter foreign markets without benefit of continued American subventions and subsidies, unless sterling makes further progress toward its own emancipation. If further progress is not made toward the removal of restrictions on trade and a more unfettered exchange of currencies, it is quite likely that, despite any international political institutions that have been erected or that may be erected in the future, the unity of the free world will remain precarious and fragile. On these points American national interests are vitally concerned.

In order to identify the nature of the fundamental problem of the convertibility of sterling, it may be helpful to state the historical fact that sterling has been under pressure since the close of World War I. This suggests that, though aggravated by wars, the reasons for its difficulties are old and deep-seated, and that if cures are to be successful, they should be designed to correct the underlying causes.

Causes of Sterling's Weakness

The following are among the major causes of the unbalance between sterling and the dollar:

(1) The weakening of U. K. competitive power resulting from the existence of sellers' market conditions and opportunities for protected trade financed by repayment of sterling debt, and also from inflexibility in costs and immobility of resources;

(2) The change in the pattern and composition of the foreign trade of the United Kingdom;

(3) The change in the U. K.'s position from the world's biggest creditor to the world's biggest debtor;

(4) The greatly increased resources, internal and external, which the United Kingdom has had to devote to defense and overseas commitments generally;

(5) The inability of the United Kingdom to devote adequate resources to industrial investment because of the burden of defense and indebtedness and the worsened terms of trade with which were associated a high level of total Government expenditure, a protracted burden of heavy taxation and a prolonged shortage of private savings;

(6) The worsening of the climate for private international investment generally;

(7) The fluctuation in volume of purchases by business communities of the main exportable commodities of the sterling area, and the resulting movements in price which have often been aggravated by contemporaneous and similar fluctuations in the volume of purchases by governments;

(8) The maintenance by the United States of trade policies which were more appropriate to a debtor than to a creditor country; the persistent and stubborn maintenance by us of the policy of protecting the American market and subsidizing American services which foreign enterprise can more effectively and cheaply render.

A review of these causes makes it crystal clear that monetary measures alone cannot produce the solution that is needed to neutralize the increasingly persistent tendency of the United States payment position to be in surplus with the rest of the world.

Prerequisites to Convertibility

This analysis of the sources of the pressures on sterling indicates that its position may now be too sensitively balanced to submit it to the strains and stresses of free convertibility before a number of conditions have been fulfilled. It would be unfortunate to run any risk of repeating the ill-timed and ill-fated experiment in convertibility which was undertaken, at our insistence, in 1947. Since the sterling crisis in 1951, in spite of abnormal introduction by our government of dollars in support of commerce, a recent favorable turn in the terms of trade, and retention of many restrictions of the use of sterling for the purchase of goods produced outside of the sterling area, the increase of British gold and dollar reserves, welcome though it is, must be regarded as modest.

What the full force of German and Japanese competition may be is as yet unknown and, besides, sterling's gold and dollar reserves may be required to carry an additional burden next year should the cost of maintaining troops in Germany be borne by the British Government. Moreover our policy in regard to relaxation of our own restrictions on trade—so important and vital to the freer movement of currencies—has not yet been made sufficiently clear. Under these circumstances, an extension of the liberty with which sterling can be converted into other currencies would now seem to be doubtful.

Noteworthy Steps by Britain

The British Government has wisely concluded that factors internal to the Commonwealth and the United Kingdom itself must be dealt with as prerequisites to a freer movement of international trade and currencies, and has accordingly taken noteworthy steps to this end.

It has inaugurated a program which is designed to foster the formation of private capital and the restoration of enterprise, and to encourage a resurgence of individual initiative. It has pursued monetary and credit policies aimed at control of domestic inflationary pressures and a return to a freer money market. It has made a new approach toward its budgetary problems. It has initiated modest reductions in taxes to stimulate the accumulation of venture capital. It has largely removed the subsidies on food. It has derationed many articles of consumption and manufacture which were formerly, by government dicta, distributed in restricted amounts. It has reopened many commodity markets and has announced the future opening of others. It has denationalized one of the industries which had been nationalized, and is completing the process of denationalizing another. It has removed some of the restrictions which formerly existed on the flow of trade. It has attempted to provide leadership in reestablishing sound principles of monetary control throughout the sterling area.

All these policies allow the British people to become acquainted once more with the benefits of economic freedom, and constitute a significant record of achievements. But more remains to be done if sterling is to acquire sufficient strength and resilience to stand the rigorous test of convertibility.

It is for the British Government to devise its own further corrective measures.

It is for us as soon as possible to commence to remove from our own policies the impediments to freer trade and currencies.

U. S. Must Abandon "Protectionist" Policies

For thirty years the barriers that we have erected against imports into the United States have been incompatible with and have operated against the reestablishment of international economic and financial health and equilibrium. Long ago we became the world's greatest creditor. We can no longer pursue the protectionist policies of a debtor nation and hope to escape from government intervention, restrictionism, state planning and discrimination against American products in the international markets. It may be that a liberalization of our restrictive protectionist policy in and of itself will not produce easily or in short order, a financial balance between the dollar and sterling but it would contribute substantially to the creation of an environment of world trade in which convertibility, at the appropriate time, could be safely considered with confidence that it would endure.

Under the most favorabble circumstances time would be required to pass legislation aimed at establishing a freer American trade policy. It would be unfortunate, however, for our national interests if, because of delay on our part, the progress toward economic liberty that has thus far been made should be arrested, the enthusiasm should cool off, and the impetus toward freedom should falter. It would be even more unfortunate for our national interests if the government of the United Kingdom and other Commonwealth Governments were forced back into sweeping restrictions and controls. A retreat to this widespread restrictionist type of government intervention from such freedom as has so far been successfully restored might be regarded as the failure, possibly the final failure, of an economic system of which the market place is the central feature.

As a means of encouraging further advances in the direction of economic liberty, sustaining the enthusiasm for, and maintaining the impetus toward an enlarged volume of commerce, the United States Government, during the interval in which legislation is being awaited, could do nothing more helpful, or indeed more urgently required, than to make a prompt announcement that it is the determined policy of this country to work toward simplification of our custom practices and a progressive, vigorous and consistent relaxation of our restrictive foreign trade legislation.

Must Stimulate Foreign Dollar Investments

Another contribution to basic solutions would be an increase in private investment of dollars in foreign countries. This, however, is not likely to occur in adequate amounts in the immediate future. With the exception of the development of petroleum reserves and mineral deposits elsewhere, the opportunities for profitable employment of capital on this continent are too numerous and great to induce any large outflow on private account into enterprise overseas. In many cases the earnings of overseas ventures are subject to double taxation and American investments are submitted to subtle discriminations.

Moreover, the political risks of expropriation, the economic hazards of exchange transferability and the difficulties of converting earnings into dollars are real impediments to the foreign investment of American venture capital. Some of these impediments can readily be removed; others, it is to be hoped, will in time be progressively diminished until they disappear.

In the immediate future, however, it may be more practicable to focus our ingenuity on valid devices which might provide a reasonable transition from a period in which American dollars, through public agencies have been invested overseas and the period when the flow of private capital becomes adequate. To this end, a combination of agencies of governments working in association with private management and capital might perform a highly useful service.

The International Bank, for example, provides a method by which an environment favorable to private investment can be created. The provisions of the indenture of an International Bank loan, more than the amount of credit which it extends, can define the terms upon which investments of private funds might be made with reasonably immunity against most of the political hazards.

On the British side, the Commonwealth Development Corporation has been established with headquarters in London and may well afford a vehicle for the investment of American dollars in association with sterling within the sterling area.

Still another device which may merit exploration is the participation of American banking houses in sterling loans made by London banks with some sort of British guaranty of a rate of exchange and an Export-Import Bank guarantee of the transferability of the participating dollars. Such a device—a combination of guaranty as to rate and transferability—might apply generally to all dollar investments made in the United Kingdom or in other parts of the sterling area.

Stabilize Raw Materials Prices

Finally, in addition to the questions of trade and investment policies already reviewed, we should seek to develop measures to abate the violent fluctuations in the prices and the volume of the major raw materials that enter into international trade. This single phenomenon of the postwar period has produced strikingly adverse effects upon the trade of the United Kingdom, the sterling area, and Western Europe. Without recommending intergovernmental commodity agreements, the history shows that this is a problem that deserves more study.

One important approach might be to develop coordination between governments so that purchases by public agencies may be diminished when the business community is building up inventory and increased when the business community is liquidating inventory, thereby using government purchases, to the extent they are necessary for other reasons, for the purpose of mitigating the effect of the cyclical movements in these critical materials.

This report has dealt with the progress which the British Government has made toward resolving many of the causes of the unbalance between the dollar and sterling and it has defined the issues which we, on our side, must face if we are to enjoy the fruits of an enlarged volume of trade, more stable currencies, and an expanded area of economic freedom.

My own sense of urgency and the need for prompt action is reflected in the brief time that has elapsed since I was asked to undertake this inquiry and the completion of my report. Time, I believe, is of the essence.

This letter, therefore, concludes my assignment.

But before signing off, I should like to express my thanks to the members of the White House staff; to the Secretary of the Treasury, Mr. Humphrey, and the Treasury officials; to Mr. Stassen and his associates in the Mutual Security Agency; to Mr. Martin and the officers of the Federal Reserve Board and Banks; to Mr. Dulles and the economic officials of the State Department for their singularly helpful cooperation and assistance. Also, I would like to acknowledge especially the wise counsel and almost continuous help I have received from Professor John Williams and Dr. Walter Stewart.

Very truly yours,
LEWIS W. DOUGLAS

The President
The White House
Washington, D. C.

Louis Goldschmidt

Louis Goldschmidt, limited partner in Maples & Goldschmidt, Norwalk, Conn., passed away on Aug. 26.

U. S. Trade and Sterling Convertibility

By PAUL EINZIG

Commenting on the Douglas Report to the President on the Commonwealth Economic Plan, Dr. Einzig says it raises hopes U. S. will adopt principle of accepting payments from abroad in form of import surpluses. Sees, however, no immediate radical change in American foreign trade policy, but holds there are indications U. S. may sacrifice policy of exchange stability for one of exchange of convertibility.

Dr. Paul Einzig

LONDON, Eng. — The Report submitted by Mr. Lewis Douglas to President Eisenhower about the Commonwealth Economic Plan had a very favorable reception in the British press. [See page 18 in this issue. —Ed.] His emphatic recommendation of measures to facilitate the export of goods to the United States gave rise to hopes that, after all, the United States may yet assume the role played by Britain during the 19th Century in accepting payments from abroad in the form of an import surplus instead of aiming at a perennial export surplus which can never be paid. Likewise, Mr. Douglas' emphasis on the overwhelming importance of sterling convertibility struck a sympathetic chord in the minds of many people on this side of the Atlantic. For the overwhelming majority of British economists, bankers, businessmen and politicians are still fundamentally free-traders.

Indeed free trade has considerable sentimental appeal to British people on the ground that the period during which it operated was one of great prosperity and progress in Britain. What is perhaps even more important from the psychological point of view, Britain's world power was at its highest during the period when imports were free and there was no discrimination. It is understandable that so many British people should feel nostalgic about this subject and that they should be in favor of attempting to return to the good old days of free trade and free exchanges even before it is reasonably safe to do so.

From this point of view, Mr. Douglas does not appear to have gone as far as many British supporters of sterling convertibility would be prepared to go. He is in favor of returning to convertibility not immediately but after the fulfilment of a number of preliminary conditions, one of which is sounder internal economies in Britain and other countries with inconvertible currencies and the other is freerer imports by the United States. British enthusiasts of convertibility have no patience for that sort of thing. They are firmly convinced that the mere return to convertibility would in itself solve all the problems. Mr. Douglas is more realistic in his approach. As a result opponents of premature convertibility are likely to find fully as much ammunition in his Report as those who feel that we should restore convertibility first and think after.

Unfortunately the Report gave rise to an unwarranted degree of optimism about the prospects of a radical change in American foreign trade policy. Anyone who knew Mr. Douglas' views must have expected him to report in the sense he did. It would be unduly optimistic, however, to assume that the views expressed in his Report represent the attitude of the majority of American public opinion or political opinion. Indeed, as far as can at present be judged from London, they do not even represent the attitude of the very substantial minority. It would be idle to expect the Administration, Congress and American opinion in general to become converted to free trade on reading this Report.

It is worth noting that in his Report, Mr. Douglas confines himself to broad principles and does not aim at the critical examination of the full details of the Commonwealth Plan. Even as regards its principles, Mr. Douglas does not deal with the question of the floating pound. Yet it is one of the basic principles of the Commonwealth Plan. At the time when it was elaborated and when it was submitted to the Washington Administration in March, the British Government was firmly convinced that there could be no question of convertibility so long as sterling remains pegged in relation to the dollar. There is reason to believe that these views are no longer held quite so firmly in London. Nevertheless, the fact that when towards the end of July the details of the Commonwealth Plan were allowed to leak out the summary circulated by a press agency laid much stress on the need for allowing sterling to find its level instead of trying to defend it rigidly at its present parity or indeed at any parity.

It remains to be seen how the Washington Administration will respond to the idea of abandoning the fundamental Bretton Woods principle of exchange stability for the sake of achieving the other fundamental Bretton Woods principle of exchange convertibility. Quite obviously a situation in which both principles would be in operation simultaneously is not likely to arise for years. There are indications that in some quarters in Washington there is now a readiness to sacrifice stability for the sake of convertibility. This attitude is only too human. After all there has been exchange stability for the last 14 years, so that the disadvantages of fluctuating exchanges have receded into the remote past. On the other hand, the disadvantages of inconvertible currencies have been with us for the last 14 years, so that they are felt much more keenly than the past disadvantages of instability.

There can be no doubt about it that if 14 years ago a Gallup Poll had been taken on the subject in the United States the overwhelming majority of American opinion would have shown itself in favor of the stability of sterling at the expense of its convertibility. Today, however, the effect of the violent movements of sterling on American economy during the '30s are largely forgotten. Hence the readiness to revert to the state of affairs that prevailed during the '30s when sterling was unstable but freely convertible into dollars at the current exchange rates.

It is to be hoped that this aspect of the subject will be borne in mind when the United States Government eventually decides its attitude towards the Commonwealth Economic Plan.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Operating statements of insurance companies for the first six months of 1953 indicate that casualty companies in most instances were able to show an increase in underwriting profits over the like 1952 period while institutions writing primarily fire reported lower earnings.

These findings are summarized in a recent report published by Geyer & Co. of New York, specialists in bank and insurance stocks.

According to Geyer & Co. 12 leading "casualty" companies that have released mid-year figures earned an underwriting profit of 6.4 cents per dollar of premium earned in the six months ended June 30, 1953 as compared with a loss of two-tenths of a cent per earned premium dollar in the similar period of 1952.

In sharp contrast to this showing was that of 16 leading companies writing primarily fire lines. This group reported an average underwriting profit of 3.6 cents per dollar of premiums earned in the first six months as against 7.9 cents margin in the first half of last year.

For eight of the large multiple line companies with a broad spread of business among both fire and casualty fields, Geyer & Co. reports an average underwriting profit of 4.6% for the first six months of 1953, up slightly from the 3.9% shown in the same period of last year.

These results follow the trends predicted in earlier reports by Geyer & Co. where it was believed that operating experience for some time ahead would favor companies in the casualty field rather than those engaged primarily in the fire business.

Such reasoning was based upon the fact that fire insurance proper had enjoyed an extended period of profitable underwriting running from 1948 through 1952. Fire insurance losses on a per capita basis or relative to the value of insured property are low. These considerations have initiated reductions in fire insurance rates in a number of states over the past year. As a matter of interest 16 states have lowered rates during the past year. Regardless of the fact that fire losses have been rising so far this year and irrespective of the reductions made so far, Geyer & Co. is of the opinion that further reductions in fire insurance premium rates will be made in the period immediately ahead. Consequently it is considered likely that the underwriting profit from this phase of the business will be further reduced.

As a result of these considerations the Geyer Index for 20 stocks of companies writing primarily fire insurance risks declined 0.7% within the last year. At the same time ten stocks of representative companies writing casualty risks predominantly rose 24.8%.

The operating results of 24 of the leading fire and casualty companies as well as multiple line companies for the first half of 1953 and the similar period of 1952 as computed by Geyer & Co. are shown in the following tabulation:

	Earnings Breakdown						Oper. Earnings 6 Mos. Ended June 30th	
	Under-writing Profit	Net Acqstn. Expense Incur. on Unearn. Prems.	Adjust. Under-writing Profit	Net Invest-ment Income	Oper. Profit Before Taxes	Federal Income Taxes Incur'd	1953	1952
	$	$	$	$	$	$	$	$
Aetna Insurance	0.49	0.51	1.00	2.33	3.33	1.05	2.28	2.22
Agricult. Insurance	0.35	0.26	0.61	1.12	1.73	0.39	*1.34	*2.18
Amer. Automobile	3.03	1.34	4.37	1.43	5.80	2.24	*3.56	*2.18
American Insurance	0.79	0.15	0.94	1.07	2.01	0.62	1.39	1.33
Camden Fire	0.69	0.17	0.86	0.97	1.83	0.53	1.30	1.24
Continent. Casualty	6.85	0.14	6.99	2.02	9.01	5.32	3.69	2.80
Continental Insur.	—0.05	0.43	0.38	2.40	2.78	0.39	2.39	2.47
Fire Ass'n of Phila.	0.49	0.55	1.04	3.04	4.08	0.88	3.20	3.42
Fireman's Fund	1.27	0.39	1.66	1.88	3.54	1.41	2.13	1.72
Firemen's Insur.	—0.24	0.37	0.13	1.64	1.77	0.30	1.47	1.23
Glens Falls Ins.	0.30	0.83	1.13	1.93	3.06	0.63	2.43	1.76
Hanover Fire	—0.55	0.09	—0.46	1.66	1.20	0.54	0.66	2.35
Ins. Co. of No. Am.	0.97	0.35	1.32	2.40	3.72	0.83	2.89	2.70
Mass. Bond.	—2.09	1.84	—0.25	1.53	1.28	0.08	1.20	—1.19
National Casualty	2.53	—1.13	1.40	1.29	2.69	1.57	1.12	—3.19
National Fire	0.43	0.74	1.17	3.17	4.34	1.03	3.31	3.61
National Union	0.54	0.07	0.61	1.89	2.50	0.67	1.83	1.61
N. Amsterdam Cas.	—0.46	1.15	0.69	2.40	3.09	----	3.09	0.79
Northern Insurance	0.32	0.92	1.24	2.33	3.57	0.58	2.99	3.10
Ohio Casualty	5.00	0.90	5.90	0.92	6.82	2.95	3.87	3.30
Phoenix Insurance	—0.11	0.39	0.28	3.27	3.55	0.35	3.20	4.71
St. Paul F. & M.	1.01	0.02	1.03	0.92	1.95	0.55	1.40	0.75
Standard Accident	5.56	1.21	6.77	1.94	8.71	3.69	5.02	—1.08
U. S. Fid. & Guar.	1.18	1.04	2.22	2.15	4.37	1.08	3,29	1.39

*Based upon actual number of shares outstanding at the end of each period.

Powell & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILE, N. C.—Powell & Co., has been formed with offices at Fort Bragg Road, to engage in a securities business.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Henry E. Witte has become associated with Paine, Webber, Jackson & Curtis, 605 North Broadway. He was formerly with Thomson & McKinnon.

No Need for a Depression

By WALTER REUTHER*

President, Congress of Industrial Organizations

CIO head, answering the question "Can we avoid a depression," maintains the economy can be kept in full gear by creating and stimulating demand through payment of higher wages. Says "our problem is abundance," caused by faulty distribution; and trade unions are the key to this question, because they are the only agencies through which millions of people can struggle to get their fair share of the national product. Urges placing a greater tax burden on people "who have the means."

Peace came to Korea a few days ago. All of us have prayed that peace and honor would come to Korea, and we pray today that the political conference that will follow will be able to resolve the problems so that peace can be maintained, not only in Korea, but in other parts of the world. But peace in the world brings new and compelling and challenging problems to America. The big problem that we face in America is the question that is on the minds of our friends all over the world. I have had trade union representatives from a dozen European countries, from three or four Asiatic countries, come to me during the Stockholm conference of the free labor movement and say to me, "Tell me, do you think that if peace comes to the world you can avoid a depression in America?" And they told me that the Communists are making effective propaganda by saying that the only way the American economy can maintain full employment and full production is making the weapons of war and destruction—that we in America, according to Communist propaganda, are unable to achieve full employment and full production making the good things of life for people in peace-time.

Walter P. Reuther

These trade union friends of ours who are in the leadership of the free labor movement in other parts of the world, are wondering, are asking the question: "Are the Communists right? Can America avoid a depression? Can America gear this tremendously powerful productive machine that we have, which by 1955 will be able to turn out almost four hundred billion dollars worth of goods and services in a year—can we gear that to the needs of people, the unlimited needs of millions and millions of people in America? Can we make our contribution in the fight against poverty and hunger in other parts of the world? Or will peace mean a drift to depression?

A "Play on Words"

The Communists say it will! Here is a business magazine "Business Week" Aug. 15, 1953, it just came out. A leading article says everyone expects a recession. Then it goes on to say that all the business leaders agree there is going to be a recession or a depression. That's just a play on words, because if there are 5,000,000 hungry workers, and they call it a recession, they are just as hungry if there are 10 and they call it a depression! But they all say it is going to come, it's just a question of when—and that's what the commies are waiting on. They are waiting for America to drift to depression and mass unemployment and when that happens they will take over the rest of the world by default. They will take over Italy and France first, because that's where they have a sizable base to start with. They will get all of Asia by default and then they will begin to pick away at the fringes of Europe because if we can't avoid a depression then no one in Europe or our friends throughout the world will have faith in the road that we are traveling. And our basic job is to prove that we can find a way to gear this tremendously productive economy of ours, this economy that is expanding, reflecting the tremendous scientific and technical progress we are making to meet the needs of people.

Can we create full employment making the good things of life? Or are we economically and politically and morally bankrupt and therefore all we know is how to create full employment making the weapons of war and destruction? That is the question. That is the $64 question around which I believe the future of freedom and peace in the world revolves.

Depression Cause: Under-Consumption

How do you create full employment in peacetime? You first of all have got to create the demand. You have to balance purchasing power in the hands of the people with productive power. We got in trouble in 1929, and remember Herbert Hoover talked about the prosperity "just around the corner." We all got a stiff neck looking around the corner, waiting for it to get around the corner. Prosperity wasn't around the corner. Some of the fancy economists said that we had over-production. We didn't have over-production. We had an acute case of under-consumption. We are the only country in the world that has raised civilization to such high levels of achievement, where we made so much progress, we're so smart, that we know how to go hungry when there is too much to eat.

In China—I was there in 1936 and I saw poverty, women standing on the street corners with dead babies in their arms and three or four hanging to their ragged skirts with a flicker of life faintly alive in them. But in China they are old-fashioned. They only go hungry when there is not enough to eat.

Our problem is abundance. Farmers voted the other day — they call it Socialism, you know— the Republicans were going to get rid of all this "Socialism" in America—but the farmers voted 87% to keep their price-control supports. Why? Because they are worried about these headlines. You can be sure that the Communists made the most of this headline of this business magazine. But what we have to do is to raise the purchasing power of millions and millions of ordinary Americans so that they can satisfy their unlimited needs. And if we expand purchasing power in the hands of millions of people to balance our productive power, the job will be there to satisfy the demand. But if millions of people don't have the money to buy the things they need, and they cut production because the demand is not there, they lay off more people, there will be less purchasing power. Then they will have to lay off some more, and we'll get deeper and deeper into this. We'll get back to what we had in 1929.

"A Welfare" Tale

You should have seen this town in '29 and '30 and '31 and '32. Hundreds and hundreds of thousands of hungry, desperate, unemployed workers. We tell the story about how we were building the Detroit Zoo in that period. (We have a very nice zoo. If you have your family along, it would pay you to go and pay a visit.) We were building the Detroit Zoo and the school kids in Detroit kicked in a few pennies here and a few pennies there to get an animal as their contribution to the zoo. After they had this money-raising campaign and got a few dollars together, a notice appeared in the papers that they had hired a small scouting party. They were going up to northern Michigan in the hope of capturing a big, black northern Michigan bear which would be put in the zoo as the children's contribution to the zoo. The kids were all excited. About two weeks later a notice appeared in the paper that this scouting party had been successful, that they had captured a big, six-and-one-half-foot Michigan black bear that was being shipped down to Detroit. But on the way down something very tragic happened. The bear died.

When the bear got here, Mr. McGregor, who was director of the Detroit Zoo, had a tough problem on his hands. If he told these kids that the bear had died, it would break their little hearts. So he didn't know what to do. He scratched his head and he pondered the problem, he looked at this dear bear, and he finally got a brilliant idea. He came down here about two blocks from the City Hall and Michigan Avenue where the main welfare station was, where every day thousands of hungry unemployed automobile workers lined up to get a handout. He looked over this unemployed line. He picked out the biggest fellow in the line, went up to him, and he said, "How would you like to have a job?" And this fellow did handsprings. He said, "Look, I've been waiting, looking for a job, for months." This fellow from the zoo said, "Well, this is a kind of unusual job. Maybe you wouldn't like it." He said, "I don't care how unusual it is, I'll do anything, I'm so desperate."

So they took this unemployed automobile worker up to the zoo; they skinned the bear; they put the unemployed auto worker in the bear; they sewed the bear-skin up the back; they put this fellow in a specially designed cage. It had all the apparatus, you know. And for a couple of weeks this unemployed automobile worker in the bearskin practiced. He got pretty good, just like a fellow in the shop doing the same thing over and over and over. He got very good at it; and they finally decided he was ready for public performance, and every day they had a big group of school kids come out there. Each day another school had an excursion, and after a couple of weeks this fellow got real good.

One day two schools had a joint excursion and the front of this bear cage was just jammed with enthusiastic kids. They were cheering, and the poor fellow in the bearskin was overcome with the enthusiasm of his audience. So he decided to get up on the top bar and do the loop-the-loop. He got 'way up on this top bar and he started to swing. The harder he swung, the louder the kids cheered. The louder they cheered, the harder he swung. Finally he got enough momentum up that he decided to give it everything he had and go over. He put everything into it and gave it everything he had. But just as he got on top, his hand slipped and he flew over into the lions' den, right into the middle of a pack of lions. The poor guy started to yell, "Help! Help! Save me, save me." And a great, big male lion put his paws on his chest, looked him in the eye and he said, "Oh, Mr. McGregor, help, help! Save me, save me." And the lion said, "Shut up, you fool, I'm on welfare myself."

Key Role of Labor Unions

Now, we in Detroit are not going back to bearskins. The hope of America, the hope of the free world, hinges on this question of gearing the productive capacity to the needs of the people. And the labor unions are the key to this question because they are the only agencies through which millions of people can struggle to get their fair share of the national product. We have to raise our distribution know-how to match our production know-how. We have to increase wages so that people will just have the purchasing power to buy the things they need.

Industry profits have gone up, according to the "Wall Street Journal," based upon the profits of the first six months of 1953. Industry, generally has earned around $44½ billion at an annual rate, which is 24% higher than the profits for the same period last year.

We have to reduce the tax load of millions of small-income families by raising the exemption to $1,000. The trouble with our tax structure in America is that the small low-income families are carrying a disproportionately high share. And the people who can afford to pay more taxes are not carrying their fair share.

Now don't get the idea it is going to get better. It is going to get worse, unless we fight every move. Here's the "Free Press" yesterday about a penny bread tax. They are trying to dream up a scheme whereby they will have a tax on bread in order to pay the subsidies that may be required to stabilize prices. Mr. Sligh, the head of the N. A. M. (and he's very appropriately named), testified before Congress the other day in which they are advocating a disguised Federal sales tax. And what did he say? He said, if you have this manufacturer's excise tax (which is just a fancy way of calling a Federal sales tax at the manufacturer's level), then, he said, the consumer won't know he's getting robbed, and you can rob him at the local and state level with another sales tax.

Tax Limit "Gimmick"

There's another gimmick that they're kicking around in a number of state legislatures. They're trying to change the Constitution of the Federal Government to limit the taxing power of the Federal Government to 25% for a corporation or an individual. It sounds very fair; it sounds kind of democratic. But what is the arithmetic of that proposition? Well, if you get less than $20,000 a year income, that 25% limitation on the taxing powers of the Federal Government won't give you one penny of tax reduction. But if you get $100,000 income, you can save $31,000 a year taxes by that gimmick. If you make a million dollars a year, you can save $621,000 a year taxes, just by that one little gimmick.

I say a tax structure geared to the economics of full employment and full distribution has got to place a greater tax burden upon the people who have the means. Tax relief has to start at the bottom, not at the top of our tax pyramid. We've been saying that the tax program has to cut the standards of luxury of people who have got more than they need before you begin to cut the standards of living of the people who have too little to live on.

There is plenty of work to be done in America. We don't have to worry about running out of jobs. We need to work to increase Social Security. We have to break down the double standards, both economic and moral, which industry has foisted upon the American people. They vote themselves very fat pensions, many of them $75,000 a year corporation executives. But they resist every effort to give workers adequate Social Security so that they can live out their lives with a sense of security and dignity. We have to work on that. I say $200 a month pension is the minimum that a family ought to be required to live on.

CIO to Push for Guaranteed Annual Wage

We in the UAW—CIO are going to work on the guaranteed annual wage. This idea of being paid by the hour or by the piece is antiquated. That came out of the Industrial Revolution 700 years ago in England. We take the position that if corporation executives — and we have some high paid ones in the auto industry; we've got some fellows that we can't figure out how much they make by the year, they make so much. So we translate it into an hourly rate. We have some fellows who make, based upon their salary divided by a 40-hour week, 50 weeks in the year, who make more than $300 per hour. And yet those $300 an hour fellows get paid by the year and that's a good arrangement since they eat by the year and live by the year. An automoblie worker gets paid by the hour or by the piece, but his kids eat by the year; and we say that if its good for corporation executives to get paid by the year because their kids eat by the year, what's good for the goose is good for the gander and it ought to be good for automobile workers and we are going to go after it.

You know when we talk about a guaranteed annual wage they say to us right away, "You mean you want the company to pay a worker when he's not working?" Oh, we said, we really do not want to be paid for not working; but we said — as long as the worker pays the economic burden of unemployment, you fellows are not going to worry much about it, but when you have to pay it, then you will go to work to do something about stopping the mass unemployment in America. That is just exactly what will happen.

More Housing Needed

There are many other things to be done. There is plenty of work in America in the housing field. We need two and one-half million houses every year, to wipe out the slums. You can go through every city in Sweden and you will not find a slum. Then—just go a few blocks from this fancy building. Here we are—the richest nation in the world. Our science and technology is developed to an unprecedented height and yet we have slums in which kids are growing up. Oh, when the kids grow up in the slums and they get into trouble, we are always willing to build new jails to put them in, but we are unwilling to build decent houses and decent communities for them to grow up in.

Our school program is away behind the times. We took war factories off the swing shift and we put the schools on the swing shift—right here in Detroit. In most every major city kids are going to school on a swing shift basis. Thirty-five and forty-five packed in a room with one under-paid school teacher. We are robbing our youth of their rightful educational opportunities. We are denying them a chance to grow intellectually and spiritually and

*From an address by Mr. Reuther at the 95th Session of the International Typographical Union, Detroit, Mich., Aug. 17, 1953.

culturally within the capacities they each have. There is a tremendous job—hospitals. I served with Al Hayes of the Machinists' Union on the President's Commission for the Health Needs of the Nation. Millions and millions and millions of American citizens are denied good health because the price tag on good health is too high. We have to do something about that.

There are many other things. Do you realize that if every family in America could have the same living standards that the membership of your union has won through you union, and the membership of the UAW—CIO has won through our union, that to fill that gap for millions of families away below where we are, would require 25 years of full production with everybody working. You aren't going to stand still—we also are not going to stand still because we also want to make progress. There is plenty of work. The problem is—have we got the courage? Have we got the vision to mobilize the power of America—this great power that we demonstrated so effectively in war, making the weapons of war and destruction? Have we got the courage and the vision to do that same job of mobilizing this power to meet the unlimited needs of the people in peace time?

Hits Attitude of Congress

I say you cannot do that by wishful thinking. I say that the kind of attitude that Congress shows now will make them incapable of doing it because they still have this narrow, stupid, unrealistic, negative attitude. They will expend billions and billions for war but when you talk about peace—they are afraid to take the price tag off our peacetime efforts. I saw them, during the last war, when they appropriated billions and billions for war, for battleships and bombers. I used to tell the auto workers they had a big 24-inch pipeline down there and when the Navy came over and said—give us billions for battleships—and the Air Force said —give us billions for bombers—they would open up this 24-inch pipeline and expend billions and billions and billions.

But you talk about minimum wage. You talk about better housing. You talk about hospitals. You talk about schools. You talk about the things that involve people and they say, "Oh, we can't afford that" and they will give you a patriotic speech down in Washington. Do they go to the 24-inch pipeline? Oh, no! They go to the Congressional medicine cabinet and get out an eye dropper and give you a couple of drops.

Urges United Labor Movement

Now this is the problem. I say that the American labor movement has got to stand united and determined to work on this front because this is the front on which freedom and peace of the world must be salvaged. I am confident that as we go down this road together. the organized labor movement will demonstrate the capacity of leadership and will develop the techniques of cooperation so that we can work together and we can march together and when need be, we can fight together in the building of that better tomorrow, that better world in which people everywhere can live at peace as neighbors, in which people everywhere can enjoy a fuller measure of economic and social justice. Together we can build a better world, fashioned in the image of freedom, in the image of justice and the image of brotherhood. The challenge is great. The problems are complex but the opportunities are equally great.

Economy Basically Sound: Nadler

Finance Professor of New York University and Consulting Economist to the Hanover Bank says there are valid reasons why the nation can avoid a sharp recession.

Noting a basically sound economy, Dr. Marcus Nadler, consulting economist to The Hanover Bank, and Professor of Finance at New York University, holds there are valid reasons to conclude that the United States can avoid a sharp recession.

Marcus Nadler

Dr. Nadler's views appear in a 32-page brochure, "The Changing American Economy," to be published on Sept. 14 by The Hanover Bank, 70 Broadway, New York 15, N. Y.

"The dynamic character of the economy and the basic social and economic changes that have taken place during the past two decades, plus government intervention through fiscal and credit measures, will prevent a serious recession," is Dr. Nadler's view. "Still the weaknesses that have developed indicate a readjustment. Its magnitude and duration will depend on how fast the weaknesses, and particularly the rigidity of costs, can be rectified and how promptly the government acts."

The old pattern — that every major boom and period of inflation is followed by a depression and a period of serious deflation —will not be repeated, Dr. Nadler contends.

"The world at large is in a period of transition," he continued. "If during this period the countries of the free world, and particularly the United States, can avoid a serious business decline and large-scale unemployment, it will constitute an epoch-making event which would strengthen the free nations and deal a death blow to communistic propaganda that the capitalistic system is moribund."

The statement that the prosperity of the United States depends on war or defense orders is not based on fact nor proven by history, Dr. Nadler said. The two World Wars and the present defense program stimulated business and contributed substantially to our economic growth, but they also were "primarily responsible for our huge public debt, the back-breaking burden of taxation and the sharp decline in the purchasing power of the dollar."

"If only a fraction of the huge costs of war and of the defense program had been used for peaceful purposes," Dr. Nadler explained, "the benefits derived by the people would have been far greater. Americans would have had better homes and hospitals, schools and playgrounds, highways and roads. These are the things the American people need and want and have the means to produce."

Dr. Nadler's booklet traces the nation's economic history from the passing of "rugged individualism" through basic economic changes and a "new type of economy peculiar to the United States and based on American concepts of freedom of the individual and private enterprise." He analyzes the economy's strength and weakness, outlines the expected readjustment and cites the "case against a sharp decline."

Credit and fiscal measures that may be taken in the near future, according to Dr. Nadler include adoption of an easy credit policy by the Reserve authorities, easing of credit terms on mortgage loans insured by the FHA or guaranteed by the VA, lowering of personal and corporate income tax rates, and increased appropriations for slum clearance and large-scale housing projects.

Munic. Forum to Hear Gov. A. B. Langlie

Committees Appointed

Governor Arthur B. Langlie, of the State of Washington, will address the Municipal Forum of New York at a luncheon meeting on Friday, Sept. 18, according to an announcement by Fred D. Stone, Jr., Marine Trust Company of Western New York, President of the organization. Governor Langlie, is expected to discuss his State's plans for new facilities to accommodate its expanding economy and population.

Governor Langlie's address will mark the initial fall meeting of the Municipal Forum.

Mr. Stone yesterday also announced the following committee chairmen to serve for the forthcoming year. Program: Marquette deBary, F. S. Smithers & Co.; Membership: Rollin C. Bush of The National City Bank of New York; Finance: B. J. Van Ingen, Jr., The First Boston Corporation; Municipal Practices: Harold C. Taylor, The Chase National Bank; Publications: William E. Bachert, Bank of New York.

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Marquette deBary, Chairman, F. S. Smithers & Co.; Albert J. Milloy, First Boston Corporation; Rollin C. Bush, The National City Bank; Frederick L. Bird, Dun & Bradstreet, Inc.; David M. Ellinwood, Moody's Investors Service; Leo A. McCarthy, Reed, Hoyt, Taylor & Washburn; Robert W. Fisher, Doremus & Co., and William G. Carrington, Jr., Ira Haupt & Co.

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Rollin C. Bush, Chairman, National City Bank of New York; Roald A. Morton, Blue List Publishing Co.; Charles A. Peine, Goodbody & Co.; Frank L. Lucke, Laidlaw & Co.; Daniel O'Day, Northern Trust Co.; Edmund G. O'Leary, Eastman, Dillon & Co.; Charles S. Lipscomb, W. H. Morton & Co., Inc., and De Witt Hornor, National City Bank of New York.

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Committee on Municipal Practices

H. C. Taylor, Chairman, Chase National Bank; Charles G. Sykes, Vandewater, Sykes, Heckler & Galloway; Russell McInnes, Wood, King & Dawson; Cushman McGee, R. W. Pressprich & Co.; Winthrop S. Curvin, Smith, Barney & Co.; David H. Callaway, Jr., First of Michigan, and Dana B. Scudder, National City Bank.

Committee on Publications

William E. Bachert, Chairman, Bank of New York; William Mears, Chemical Bank & Trust Co.; William J. Riley, Drexel & Co.; William G. Carrington, Jr.; Ira Haupt & Co.; Floyd F. Stansberry, Bankers Trust Co., and Miss Elizabeth Cook, Hemphill, Noyes & Co.

Public Utility Securities

By OWEN ELY

Columbia Gas Subsidiary Wins Favorable Rate Decision

The Federal Power Commission recently granted a rate increase of approximately $10 million to United Fuel Gas Company (an important subsidiary of Columbia Gas System, Inc.) compared with the company's request for $14 million. Columbia Gas has had a large backlog of delayed applications for rate increases pending before the Federal Power Commission and various State Commissions. The United Fuel Gas decision was of special interest to Wall Street because the Federal Power Commission granted a rate of return of 6¼% on the rate base, compared with 5½% in some of its 1952 decisions. There had been some general criticism of the lower rates of return, based on historical "cost of money," in these earlier cases.

The present decision concerned two rate increases filed by United Fuel Gas Company with the FPC and later put into effect under bond. Hearings in one of these cases began Oct. 6, 1952 and hearings on both were concluded April 14, 1953. An intermediate staff decision was omitted, briefs were received, and oral argument was heard May 13, with the decision issued Aug. 7.

United Fuel Gas contended that its rate base should be $88,337,463, but the Staff held that it should be $84,722,161 and the Commission fixed $84,540,932 as the final figure. The 12 months ended June 30, 1952 had been adopted as the major test period, and the company had contended that the rate base should be as of the end of this period. However, both the Staff and the Commission held that the *average* figure during the period was the proper base. (In a recent rate decision in Florida, the State Commission allowed Florida Power Corporation to use its rate base as of the *end* of the reviewed period.) The Commission stated "We do not believe that a rate base computed as of one point in time is necessarily a proper measure of the investment which produced revenues over a period of time or which will be required to produce a volume of annual sales by a company which has experienced and still anticipates growth at the rate recorded for United Fuel. Sales are made by means of a plant which changes frequently. A precise measure of the plant used to produce a specific annual sales volume would be an average of the daily plant balances for the year."

The Commission held that the Company's estimate of its gas reserve was erroneous, due to various errors in its accounts. Hence, the company's accruals for depletion of lands, leaseholds and gas rights, and reserves for depreciation of gas well construction costs and gas well abandonment costs had been improper since 1944. Hence, new figures were set up covering these reserves. Various adjustments were also made in the allowance for working capital, although the figure allowed for material and supplies was somewhat higher than that recommended by the Staff.

Referring to the important issue as to allowable rate of return, United Fuel Gas claimed that it was entitled to 6½% return. However, Francis Crissman, Treasurer of Columbia Gas, claimed that a rate of 7% was required based on a cost of money to Columbia of 6.83%—debt cost of 3.16% and equity capital cost of 10.5%, based on postwar experience. Dr. Ralph E. Badger, an economist who testified for the company, concluded that a fair return would be between 7 and 7½%. In arriving at this figure, he estimated debt capital of Columbia at a replacement cost of 3.5%, and equity capital at 11%.

The latter rate was selected after a study of the way in which the earnings of variously constituted groups of natural-gas companies had developed over the past decade. Using a series of "growth factors" derived from these studies, Dr. Badger projected earnings ten years ahead, averaged them and compared the averages with *current prices* for these companies' stocks, claiming that current prices discounted such growth. In this way he arrived at a series of earnings-price ratios from which he selected one which he thought suitable to United Fuel Gas and based his cost of equity capital on that.

The staff contended for a return of 6%, holding that this would mean a residual return on Columbia's stock of 9.6% which, with a 63⅔% payout, should sustain a yield of 6.2% on Columbia stock and be consistent with the market record. However, the Commission felt this would be merely a bare-bones return, and also reflected money market conditions more favorable than currently prevailing. The Commission also mentioned that Columbia's earnings as well as the price of the stock had been declining. "Columbia has resisted the lure of an undue thinning of the equity and has maintained a conservative capital structure. Return should be sufficient to encourage continuation of this practice." Hence, a return of 6¼% was allowed.

The balance of the 72-page decision was mainly devoted to technical matters relating to accounting and rates.

On September 1, the company asked the FPC to reconsider its decision. It contended that the FPC order, designed to give United Fuel a 6.25% rate of return on its investment, actually would bring in only 3.69%. The basis for the latter figure was explained as follows in a press release issued by Columbia Gas:

"(1) There was error in reducing United Fuel's rate base by $3,700,000.

"(2) The allowance for annual operating expenses was erroneously reduced by about $2,000,000. This results from an assumption that United Fuel would produce at no additional cost except depletion, more gas from its own wells than it believes advisable.

"(3) The computation of income taxes was incorrect.

"(4) The depreciation rates prescribed by the Order are without support.

"(5) The method of allocation of costs is arbitrary and unreasonable and injurious to the financial position of United Fuel."

Continued from page 9

Instruments of Modern Corporate Financing

enough protective features to look like a mortgage indenture. The priority, of course, exists in all of them. Many of them have provisions limiting dividends on common, many of them have limitations on the amount of preferred that can be outstanding, and many of them have limitations on the amount of funded debt you can have outstanding. Sinking funds are quite common these days. In the absence of sinking funds, they have created a device called a purchase fund which provides that a company must set aside X dollars each year, and if it can buy the preferred at or below the offering price, then it must buy it; if it can't it puts the cash back in the till and forgets about it. Its purpose is market support.

Relatively few preferred stocks have normal voting power. Normal voting power is usually reserved for common stock issues. But, again, the majority of modern preferred stocks have a special voting right, voting rights with respect to taking control of the Board of Directors upon a specified number of quarterly dividend defaults. It has been very common and is almost universal in utility preferred stocks today. Industrial stocks don't go quite that far but not infrequently will have preferred stock representation on the board upon a certain number of quarterly dividend defaults.

Likewise the voting rights will apply to the limitations on additional preferred. Any good preferred stock will require a two-thirds vote to affect the right adversely. Any good preferred stock will also have limitations on the right of the company to buy it in if the preferred is in default of dividends.

Convertible Stocks

The third classification of common stock is hardly worth talking about because the true common stock is just that. It takes the major risk and, of course, reaps the major benefit. There are variations such as Class A and Class B common stocks, of which you can name a dozen, where the differentiation was made for reasons of voting control.

Perhaps the most popular security of the last ten or fifteen years has been the convertible security. It can be either a debt or a preferred stock. The conversion is at the option of the holder. Sometimes the conversion is a perpetual right of the holder; sometimes it is limited as to time; and quite often the conversion price will rise in steps over the years.

The financial purpose should be the ultimate sale of common stock at a higher price than common could be sold directly. If you were to try to sell the common stock of a company whose outstanding common was selling at 30, you would find first, that the market would automatically sag when the announcement of a new issue came out—it would probably drop off to 27 as an example. Then you would have the expense of selling it, and you may wind up getting $25 per share for the stock. However, by using a convertible preferred stock, the common can be made available by conversion at 30 and the buyer will love it. They will ultimately convert into common at 30 which is the same as having sold common at 30 instead of the 25 you would have received had you sold it directly. Unfortunately some companies are not quite realistic. They love to sell convertibles because they are easy to sell. They have the glamor of appeal, and they try to go out of the way to find ways to keep you from converting.

The use of a convertible is obviously applicable when you have the feeling that the common stock of a company is going to rise. It may be due to just the general good outlook of the company, and it may be due to the existence of an abnormal present situation. A classic example is that of Southern California Edison Company, one of the finest utility companies in the United States. During the war years and for several years afterwards, they were converting from 50 to 60 cycle operation. So they worked out an arrangement with the Public Service Commission to permit them to charge almost the entire cost of this conversion to operating expenses, with the result that the common stock was showing much lower earnings than its true earning power. That made a perfect natural for a convertible security. The company knew very well that earnings were going to jump when this was over, and common stock could be sold in the future at a much better price than it could have been sold then.

The danger from a corporate point of view of using convertible securities is that you never quite know what you have. If you have a convertible preferred stock or a convertible debenture outstanding, you expect some day it will become common stock on the balance sheet, but you never know. You may wind up several years after its issuance with a conversion that is not operative, not likely to be operative, and you have preferred or debt in your capital structure. Then you sit and kind of wonder, "What do I do about raising more money now? If I sell more common, and this issue converts, I'm going to have a lot of common. If I sell more preferred, I may have too much preferred." That is one of the problems corporate management faces in using this device.

Invariably, the convertible security, whether it is a preferred or a debenture, will have protective or restrictive provisions but these are seldom severe, since the conversion right is a major attraction and the buyer is less insistent on other protections.

Protection Against Dilution

One of the new features that you have with your convertible security is the problem of protecting against dilution of the conversion right. That is a tremendous subject. I don't think there is any house in Wall Street that has ever been completely consistent on this subject. There are so many different theoretical and practical factors involved. It has often occurred to me that this would be a perfect natural for a thesis in this field. The simple case of protection of a conversion price at $25 is when the company splits their common stock two-for-one. Obviously the conversion price should be cut to 12½. But what happens upon the issuance of additional common, what happens when you issue another convertible security, convertible at a different price? Those are some of the problems that come up.

Another fairly common security today is what you might call a combination security, units: particularly used in new enterprises that cannot support a senior security with any confidence in its early years. These may be combinations of debt and common stock or preferred and common. Usually the junior part of the unit is a bonus. It is in this same field that the income type of securities may be used. The use of units has been quite common in raising the junior money in promotions of pipe lines and refineries and businesses of that type.

Normally when you have a deal of that type, you have contracts on both sides. For example, contracts for a supply of oil, and contracts for taking the output, so it is a fairly certain thing that it is going to work out. So you are able to sell a substantial amount of senior obligations. The combination unit of junior debt and common gives the buyer some form of income and some form of market during the intermediate period of two to five years before it gets going and the common provides the speculative appeal.

Rights and Warrants

Warrants or rights are also available for use, but they are really not securities in the usual sense. They likewise vary all over the lot. They frequently come out of reorganizations or are issued with other securities as a speculative inducement. The Pure Oil Company sold a preferred stock which had warrants attached and the warrants had to stay with the stock for a certain period of time.

Basis for Types of Securities

In the use of all these types of securities, the nature of the organization or industry probably has as much to do with the determination as anything. In a regulated industry such as utilities where you operate at a fixed rate of return with a large degree of stability of earning power, it is quite proper to employ a sizable amount of debt to provide the necessary leverage, which leverage will provide sufficient earnings to attract the common capital of the business. The classic pattern has been 50% debt, 25% preferred and 25% common, but this is changing and the trend is toward a higher ratio of common and surplus. Most of your high-grade utilities today will show a common and surplus ratio of 30 or 35%.

In other industries the use of debt will vary with the degree of stability again. Perhaps the most dangerous thing that has happened recently has been a tendency to over-borrowing by industrial companies. Hundreds and hundreds of companies needing money have found easy money available at apparently low rates, and the thing that really appeals to them is the tax advantage. They may wind up, I am afraid, in serious trouble some day. It has been so long since we have had any serious trouble of this type in industry, as the result of wars and build-ups for defense, and inflation, which has been going on for 20 years—that the penalties of over-borrowing have not become evident. Too many people have forgotten they exist.

In trying to determine what type of security you should issue, you should also have in mind your present capitalization. A company with a large amount of debt clearly should not have any more. In fact, they should be sure that they always have further borrowing capacity, come hell or high water, because there are times when debt is the thing that can be sold.

The purpose for the need for money is an obvious criterion. The cash projection should indicate whether or not it is a temporary need or a long-term need. If a long-term need, how long? What kind of cash return do you expect to get to pay off the obligation? If there is uncertainty in that respect, then you ought to look to stock. The subsequent cash needs are obviously an important factor in making a decision. If today's need will be followed by ten million next year, you just don't dare go all out on debt today because you are going to have to contend with another ten million tomorrow, and you may not be able to sell stock at that time.

Sometimes different types of securities will afford the issuer different types of freedom. With debt you also get restrictions on activities. You will find different costs of getting money. Then you get your competitive situation. Last but not least is the ability to sell securities. You may want to sell stock, but you find it is a pretty rough time to do so. And you will find that securities buyers go through cycles of liking this and that, and disliking this and that.

Selling the Securities

In selling these various securities, there are two ways to do it—one is public and one is private. Today that distinction is pretty much tied to the SEC registration requirements. If your offer is limited to a modest number of offerees, you are exempt from the requirements of the Securities Act. That means exemption from a nightmare of work and a sizeable expense. There is no rule on what is a private offering—but the rule of thumb is that if you offer to no more than 25 people, it is private, but that will vary again in legal thinking with the nature of the security. If it is a high-grade bond, you might go to 60 or 75. If it is a highly speculative stock to be offered to individuals, it might be limited to 20 or 25. Along with these exceptions is the use of the intrastate offering. It is done at times, but it is very ticklish and very dangerous.

The private sale plays a very large part in the financial industry today. Most of it, I believe, has been in the debt security field. It has tremendous advantages to the issuer. You get speed of decision, speed of action, speed of getting your money. In avoiding registration, you avoid really substantial expenses. It has also permitted the developing of a very important tool of the trade today; namely delayed delivery. Companies who have a three- or four-year program of large expenditures would rather take down that money—five million a year—over the years rather than take the whole amount now. Likewise there is a benefit to the institutional buyers in the delayed delivery method in that they are able to space their investments of cash where they can best do so.

Last, but not least, it has the very important advantage of future flexibility in amendment; provisions that today seem innocuous tomorrow may be most troublesome. When your debt is in half a dozen institutions and you have a story that's good and logical reasons for wanting to change the provisions, it can be corrected. That is frequently spoken of as a theoretical advantage, but it is definitely not theoretical. It is a very practical advantage and one that is used every day in the year.

Handling of Private Placements

Many of the private placements or direct placements are handled by investment bankers acting as agent for the issuer. We, of course, think that they ought to be handled that way, but many companies feel perfectly confident that they can do a fine job themselves. They can, but not too often do. The trick of getting these placements done best is to know who is buying what. If you are a treasurer of a company, I don't care how much you know or how smart you are, or how big the company, you simply are not in touch with the buying habits of the institution. You may walk into just the wrong place for your peddling.

Secondly, rate is only one of the factors. You probably can get 3½% from any of 20 institutions. Perhaps more important than rate are the provisions you get. The rights of prepayment, the amount of sinking fund, the restrictive provisions—all these things have a tremendous bearing on how good that money is to you. In that particular field, I believe the investment banker is able to be helpful, not because he can argue better, but because he knows through his constant contacts what the practices are, what the various institutions are doing and the best places to go for a certain type of loan.

We have a pretty good idea of what you can get away with, in other words, and can press the point home rather effectively. The companies who buy the securities know we know these points.

The public sale usually is a direct sale for cash. When you get into the public sale, the general pattern is for the company to sell the securities at a fixed price to underwriters; underwriters in turn resell at a higher price, the difference being the underwriters' profit, before expenses.

In addition to the direct sale for cash which is almost always underwritten, there is the offering to stockholders under subscription rights. These subscription offerings at times are voluntarily made by management. More often they are made because of requirements of law, either charter requirements of that particular company or by state law. In New York, for example, in the absence of a charter provision taking away pre-emptive rights, the stockholder has pre-emptive rights automatically. When it comes to following the requirements of a pre-emptive offering to stockholders, management policy is the determining factor as to how you are going to go about it. Some companies, and I don't mean to be critical in either respect, give a stockholder a valuable right. It is part of their public relations—stockholder relations. It has the effect of giving them an extra dividend if they wish to sell the rights. Others will make the subscription price so close to the market that the rights value is small or even zero. It approaches then a cash sale.

The underwriting of subscription offerings varies. If the company is willing to make a sufficient sacrifice by setting the offering to stockholders at a price way below the market, there is very little need for underwriting. If it is priced at a normal spread from market, there should be and underwriting, or the company should not count on getting its money. It is just that simple. All the company is really doing is buying an insurance policy, pure and simple. If the offering is at the market or very near the market, an underwriting is almost essential and the underwriting cost will vary in relation to how near market it is priced. The underwriting of these offerings has two general patterns. One is a single underwriting fee, a theory in which our firm believes very strongly. By single we mean this: we will agree for so-many cents per share or so-many dollars to underwrite the issue. No matter what happens we get paid that dollar amount. We think that that puts us on the same side as the company. We are not working aginst the company to our benefit because we earn nothing on unsubscribed stock we must buy. The other general method of doing it is to pay a somewhat smaller fee for a so-called standby, plus an additional fee for any stock actually bought. You can readily see what that might result in. I might mention, too, that in the latter case today the additional compensation is usually payable on any stock that the underwriters purchase through the exercise of nights during the subscription period. If the formula is that you are going to get 25 cents per share, plus 50 cents per share additional for all stock purchased over 10% of the issue, during the closing hours of the subscription offering, you may have the ability to control whether it is 89% or 91% subscribed. If you will be paid more by having a subscription of under 90%, it is in your interest to throw rights in the wastebasket rather than exercise them. That way you are going to get more pay. It is too much of a temptation, I think, to underwriters, to leave it that way.

It has generally been believed that this pre-emptive offering of stock to stockholders is a God-given right, that it is the right thing to do to stockholders. It is protecting their interests. Experience has shown pretty much that that is not entirely true. In theory a subscription at some price under market never hurts them because if they buy the additional stock, their interest in the company is the same. In theory and mathematically, if the stockholder disposes of his rights by sale, again he is protected in his position. The facts are that subscription offerings at a substantial discount from the market are the most damaging things in the world to the small stockholder. The big fellow loves it because he can always pick it up. The small fellow, the holder of 50 or 100 shares, seldom has the money to pick up new stock when it is offered to him. His wife just smashed up the Buick and he hasn't got a dime in the bank. You can say, "Well, he can turn around and sell his rights."

The fact of the matter is that when he gets around to selling his rights, he calls up his broker, and finds that the cash realization is pretty small for odd lots. That's what happens to them. You can't blame the broker. It is just as expensive to handle 10 rights as it is for $10,000 of bonds. So the little fellow is the one who suffers the most in these rights offerings.

Another interesting thing about these rights offerings that has come to light is that you read in the paper about a subscription offering being 98% subscribed, a whopping success. Did you ever stop to analyze who bought this 98%? You will usually find that somewhere around 25% was actually purchased by the original stockholder and the balance was exercised by others, usually security dealers, who bought up the rights.

Underwriters have engaged in the purchase of rights, converting rights into stock, and then selling the stock during the subscription period. This practice is commonly known as the "Shields Plan," where the purpose is to cut down the underwriting liability during the subscription period and provide greater market stability.

When it comes to public sale, again there are two kinds of public sale—competitive bidding and negotiated. Competitive bidding is another subject on which one could write a book. In theory it is applicable to all public sales. On a rights offering, it can be applied there. There have been instances where the call for bids required you to set the subscription price, compensation, and other factors. That gets too complicated, and it has been pretty well abandoned today. Today it is pretty much the company setting the subscription price, and then the underwriters bid only on the compensation. The case against competitive bidding is hard to make, it seems to me, in the case of high-grade corporate bonds under favorable market conditions. At the same time, dealing with the practical aspects, it is just plain murder in bad markets. Companies have taken awful lickings going into competitive bidding when you have a bad bond market. In my opinion, competitive bidding is almost never good on any stock issue. The science of selling a stock issue involves far more than price. It involves education. It involves building up, so to speak, particularly in arousing interest by securities dealers, their salesmen and their customers. You are just not going to get a good price without that effort and work, and you won't get it in competitive bidding. Nobody is interested in additional expense unless he has some reasonable expectation of having the business.

Last, but not least, there is the one thing about competitive bidding you hear little about—the effect on the poor investor. The highest possible price to the company is not best for him. Another thing that has always intrigued me is that it seems to me competitive bidding, when selected by management, is the admission on their part that they don't quite know whether they can handle the negotiation. It is a definite affront to management when forced upon them by regulatory bodies.

Pricing of Securities

The pricing of securities is not dissimilar whether you do it by negotiated sale or by competitive bidding. I would like to just touch briefly on this subject of pricing securities. If you have an outstanding market, your job becomes awfully simple, particularly on listed common stocks. But there is a problem with respect to market effects upon announcement of a new issue. Brokers are likely to get on the phone and get their customers to sell holdings of outstanding stock. Then the market becomes depressed by the selling activity of the broker. The new issue comes. The broker gets his participation in the selling group, puts his customer back in. So he makes two commissions and the customer winds up selling the stock at 30, buying back at 28 and everybody is happy except the issuing company. So we worked with the SEC to work out a plan permitting a registration statement to become effective on a formula basis. Once it is effective you are then in a position to make your offering. If the market shows signs of being weak, we just won't offer that day, but when things look right, then we bring it out There was the case of a large utility offering four or five years ago where we used this general approach. The stock was selling around 32, when the new issue was announced, and as the date of the offering approached, we could just see what was going on, and the stock went right on down to 30. We just announced that the company had no intention of going ahead with financing at this price. I wish you could have heard the screams. All these customers had been taken out and they didn't know how to get them back in again. The laws of nature prevailed, and the first thing you knew, there was heavy short covering, and the stock went up to 32½ where we offered it and it was successful. It is a device that is very well appreciated by issuing companies today and very frequently used.

The other factors that are going to be used in trying to price a new security can be recent sales of similar types of securities. You cannot be exact on that but you do find patterns. Like today, for instance, new issues of utility preferred stock, have been offered at 15 to 20 basis points lower than the quoted market in outstanding preferred stocks. If you see one, two, three issues going at about that pattern, it gives you a little feel of what you would be able to get away with. Naturally, statistical comparisons would be useful in trying to measure the market value of one stock against another, but it is not infallible by any means. perhaps the most helpful factor is buying indications. If enough people say, "I will buy so-much at such-and-such price," it will start to crystallize and you will find a proper price level.

Last but not least is the glamor factor. You just wonder sometimes at the people think. You put the same "Chemical" in a company's title, and the stock will probably sell at fifteen times the earnings, take it out and it will be four or five times. It's the popularity of the industry. A couple of years ago anything to do with the oil industry was like that. Today not so much.

All these things you have to add up from mathematical comparisons down to the real glamor factors. When you are through and all is said and done, the price of the security issue is bound to be a matter of judgment. There are people who are truly geniuses and have a sixth sense of feel in pricing a security issue. Ten thousand experts could never match the man who has that one quality of judgment.

So in the last analysis the subject of corporate financing is not an exact science by any means. Despite the lawyers, accountants and other experts that regularly work in it, it still is a field where so many outside factors bear on decisions. As I mentioned before, in selecting the type of financing, sometimes you can't do the thing you want to do. Therefore, corporate managements must keep this in mind by looking well ahead and so planning today's financing in such a way as not to, get themselves trapped tomorrow. The sale and pricing of securities is even worse, as far as being scientific. In addition to the fact that I mentioned as to the importance of judgment arrived at by heaven knows how, you deal with investors' tastes which run in cycles. You have just as much fickleness of fashion as the ladies have in selecting hats and other clothes. Strangely enough, some of these fads and fashions run in cycles. They are almost measurable. You can rest assured that security buyers, as smart as they are, never quite leave out the factor of heart when they are using their minds. Today they will rush in and buy what tomorrow they would not touch with a ten-foot pole. Sometimes we will have merchandise wrapped up beautifully in a nice blue ribbon and can't give it away; put a pink ribbon on it and it is a riot. I don't know what causes it, but it is this aspect of the business and the constantly changing problems that makes it a very fascinating way of life, and also makes for a lot of gray hairs.

Industrial Secs. Corp. Formed in Dallas

DALLAS, Tex.—Industrial Securities Corporation has been formed with offices in the Texas State Bank Building, to act as dealers and brokers in general market securities. Officers are Irving Manney, President and Treasurer, and M. G. Manney, Vice-President and Secretary. Mr. Manney formerly conducted his own investment business in New York City.

Irving Manney

With H. J. Lange Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. Scherer has become associated with H. J. Lange & Co., Inc., Boatmen's Bank Building. He was formerly with Slayton & Co., Inc.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At a regular meeting of the board of directors of the **National City Bank of New York** held on September 8, Joseph A. Matthews was appointed Assistant Cashier.

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Election of W. Alton Jones as a director of **Guaranty Trust Company of New York** was announced on September 2 by J. Luther Cleveland, Chairman of the Board. Mr. Jones is Chairman of the board of Cities Service Company, and prior to his election to that post in May, 1953, he had served as President of the Company since 1940.

* * *

Irving Trust Company announced on Sept. 8 that David M. Proudfoot has been named Assistant Vice-President while William S. Anderson, Marcel A. Silz and Cornelius J. Vaughey were elected Assistant Secretaries.

Mr. Proudfoot, a member of the company's 46th Street Branch Office staff, came to the Irving this year after previous experience in the banking and consumer finance fields.

Mr. Anderson is in charge of the company's main office Collection Department.

Mr. Silz is in charge of operations at the 46th Street branch office.

Mr. Vaughey is in charge of operations at the 39th Street branch office.

* * *

Five former officers of **Peoples Industrial Bank of New York** have been appointed officers of **Manufacturers Trust Company, New York,** Horace C. Flanigan, President of Manufacturers Trust, announced on Sept. 8.

Fred G. Wolff, former President of Peoples Industrial, was appointed a Vice-President of Manufacturers Trust; L. A. Huff, former Executive Vice-President, was appointed an Assistant Vice-President, and Sidney J. Rabinowitz, Edward J. Herma and Arthur W. Erickson were appointed Assistant Secretaries.

The appointments were incident to the purchase of Peoples Industrial Bank by Manufacturers Trust Company, which became effective over the week-end so that the former office of Peoples Industrial, at 855 Avenue of the Americas, corner of 30th Street, New York City, opened today as the 110th banking office of Manufacturers Trust Company.

Appointment of Miss Helen Walsh as an Assistant Secretary and Miss Virginia L. Kraus as an Assistant Branch Manager of Manufacturers Trust Company was also announced on Sept. 3 by Mr. Flanigan.

* * *

Mr. William D. Newton, Jr., Assistant Comptroller of **The Bank for Savings in the City of New York** is retiring on October 1, announced DeCoursey Fales, President.

Mr. Newton joined the Bank in the Gaslight Days of 1906 when black alpaca coats were in vogue for all employees. His first job was to carry passbooks from the Interest Window to the Bookkeepers for the hand entry of interest.

* * *

An application by **The County Trust Co. of White Plains, N. Y.** to establish an office in Briarcliff Manor has been approved by both State and Federal banking authorities, Andrew Wilson, Chairman of the bank's board of directors, announced on Sept. 4. Plans for the new office are now in preparation though no definite date has been set for the opening.

* * *

Promotions of two officers and elections of three new ones at **Girard Trust Corn Exchange Bank, Philadelphia, Pa.** were announced over the week-end by Geoffrey S. Smith, President.

Herbert W. Ritter, Assistant Vice-President and Manager of the Bank's West Philadelphia Office, 60th and Ludlow Streets, was promoted to Vice-President in charge of the Consumer Credit Department, located at the Downtown Office, 2nd and Chestnut Streets. Mr. Ritter has been with the bank since 1936.

To succeed Mr. Ritter, Ralph W. Harmer was promoted to Assistant Vice-President and Manager of the West Philadelphia Office. He has been Assistant Treasurer and Manager of the Girard Trust Corn Exchange Office in Mayfair.

Richard Maletz, formerly Assistant Manager at the Mayfair Office, has been appointed Manager and elected to the Bank's Official Staff.

Other new officers are Frank C. Heebner and James E. Kirk to be Sales Managers in the Consumer Credit Department. Mr. Heebner will be responsible for development of new business in industrial time sales and Mr. Kirk will be in charge of new business in the automobile finance field.

* * *

Robert M. Anderson, an official of the Reconstruction Finance Corporation, was elected Assistant Vice-President of **First National Bank in St. Louis, Mo.** on **Aug. 31,** by the bank's Board of Directors. Mr. Anderson has been assigned to the correspondent bank department and will represent First National in Oklahoma, New Mexico, Arizona and Texas.

Mr. Anderson, who is a native of Arkansas, began his banking career in Pine Bluff in 1926. He served with the Comptroller of the Currency in Arkansas, Illinois and Missouri from 1930 to 1938 and with the Federal Deposit Insurance Corporation in 1938-1939. In September, 1939, he joined the Reconstruction Finance Corporation as chief of the Loan Liquidation Division in Little Rock, Ark. He has been assistant director of the RFC Office of Small Business in Washington, D. C., since June, 1949.

* * *

William C. Tompkins, 76, retired Comptroller of **First National Bank in St. Louis, Mo. died** Sunday, August 30, at Deaconess Hospital, where he had been a patient for several weeks following a cerebral hemorrhage.

Mr. Tompkins, retired from the First National in 1946 after 34 years of active service.

Mr. Tompkins was connected with the First National Bank of Chicago for several years before coming to St. Louis in 1912, to accept the position of Auditor of the former Third National Bank. He remained with that bank until it became the First National Bank in St. Louis on July 7, 1919, through consolidation of two other local banks with the Third National. In July, 1943, Mr. Tompkins was elected Comptroller and Auditor.

Mr. Tompkins was active for many years in work of the American Bankers Association, the Missouri Bankers Association, and the St. Louis Clearing House Association.

Continued from first page

The Farm Program And Farm Earnings

with 11 minutes of labor as a Russian worker could buy at Moscow State store reduced prices for a full hour of labor?

Agriculture is the cornerstone of our national vitality.

From our farms come the mountains of food that have helped to make the American worker the most efficient worker in the world.

From our farms and forests come an unending parade of raw materials to fill the needs of industry, both defense and nondefense.

It has been calculated that almost two-thirds of the raw materials that enter into our manufacturing and processing industries are produced on American farms and forest land.

Though only one-sixth of our people actually live on farms, the proportion of the Nation's children on farms is considerably larger.

It is the literal truth, then, that the health of our people—their security — their prosperity — and their future—depend heavily upon the status and capacity of our agriculture.

It is vital to the whole Nation that we work to make our agriculture even stronger than it now is.

Making Agriculture Stronger

What can we do to make our agriculture stronger?

It may be trite, but it is nonetheless true, that we must apply sound principles to this question—that we must approach it with wisdom—and that we must attack our problem not fearfully but in an atmosphere of hope.

We must appreciate, with true reverence and real gratitude, what we have in this country. We must recognize the heritage of freedom and unity that is our most priceless political possession.

We must preserve it jealously against any foe, within or without our borders. As a Nation, we must be strong enough to resist any outside force that might seek to subjugate us.

As individuals we must be on guard lest we become so attached to a community, a political party, or a program that we lose our freedom of soul. Therefore, the supreme test of any government policy, agricultural or otherwise, should be, "How will it affect the character, morale, and well-being of our people?"

Just as we must appreciate our freedom as the most precious of our political possessions, we should recognize the land and its resources as the most valuable of our material possessions.

Also, we should take cognizance of the American ideal of brotherhood as one of our great spiritual possessions. This ideal is the source of our willingness to help one another freely and to cooperate fully.

Now, how do these principles of freedom, reverence for the land, and brotherhood apply to agriculture?

My answer is that they apply in the most practical way imaginable.

If we apply the principle of economic freedom to farm problems, we will seek a minimum of governmental restrictions and a maximum of individual and group action.

If we apply the principle of reverence for the land to agriculture, we will view our relationship to the soil as one of stewardship rather than absolute ownership. Here is the basis for really effective conservation and soil-building.

If we apply the principle of brotherhood to agriculture, we will continually examine our programs to make sure that they are serving the entire people as well as they should.

Need of Aid to Agriculture

And there is another side to the coin. Non-farm people, applying these principles in turn, will view farm policies in proper perspective. They will see the need for adequate programs of storage and price support, so as to protect our national food and fiber supply, guard levels of farm living, and provide for greater stability of farm income.

They will see aid to agriculture in its true perspective alongside the programs of aid to certain other segments of the economy.

They will appreciate that the high cost of living is not primarily attributable to agriculture. They will learn that while the cost of food stays high, or even increases, farm prices and farm income have been falling. They will learn that the farmer now gets only 44 cents out of the consumer's food dollar.

These are but a few instances showing how basic principles apply to agricultural programs.

As you know, we are committed to make improvements in the farm programs. We are pledged to reduce waste and mismanagement—to curtail bureaucracy— to lower costs—and to help farmers become less dependent on government. We have promised to lay greater emphasis on marketing and research and on private initiative and enterprise.

And—though the problems are great—we have been making progress.

We have had to face a declining trend in farm prices and farm income that started long before we took office. We are having to manage the fastest accumulation of excess reserves in the history of the farm programs.

We are not responsible for the decline in prices nor for the existence of these excess stocks. But we do have the job of meeting the problems.

We are using—and we will continue to use—all the existing farm programs to carry out our responsibilities.

Even though some of the programs available are not fully adequate, there is no immediate opportunity to change them.

We **must** work with the programs we now have. We must meet our problems to the best of our ability with the tools we have at hand.

This we can do. This we are doing.

We shall continue to administer the existing farm programs fully, efficiently, and economically. But meantime, we shall not cease in our efforts to work with farmers, farm organizations, and the Congress to develop programs which will give farmers better opportunity to achieve the prosperity and security they desire.

Our present programs do not help the farmer earn too much income. He earns too little. The average income of farm persons is less than half as much as the average income of non-farm people—in this great Southeast it is **far less** than half. We must set our sights higher in agriculture. We must get into the full stride of our national progress, so that farmers and their families may have their full fair share of the material things which contribute to health, comfort, and happiness. This objective is in the national interest.

Neither do I believe that our present farm programs give the farmer too much security. They give him too little. We all know that the farmer has more than his portion of business risks. The weather is just the beginning of them. The prices of his products are subject to extremely wide swings both upward and downward. If there is only a slight shortage, prices rise sharply; if there is only a slight excess, prices fall painfully low. In boom times, the farmer is unable to hold his labor against the competition of industrial employment. In recession, his prices drop much faster than his costs of production. These are the hard facts of life for those of us who know what it is to wrest our living from the soil.

I see great merit in the opinion often expressed by Southern agricultural leaders that farmers operate in an economy where other groups have income or price protection—and therefore agriculture should be entitled to vote production control programs on basic, storable commodities and to receive price support accordingly, so long as the program serves the general welfare.

On the other hand, I am sure you agree with me that we should not pile up huge excesses of food in storage when it could, and should, go into stomachs—that we should not accumulate vastly excessive stocks of fibers at the expense of the public. Neither should we price our products out of normal markets.

Where such conditions exist, we would be derelict in our duty if we did not seek improvements. But let it be very clear that seeking improvements in farm programs does not mean seeking lower prices or lower income for farmers.

Will Continue Program to Support Farm Income

Let me repeat: We shall continue to use every available program to protect farm prices and farm income—and we shall strive night and day to make these programs work better than they have ever worked before. But all the while we shall be seeking still better programs, because the people of this country, farm and nonfarm, have never been long satisfied by mediocrity and stagnation.

We are working along this line in what I believe is probably the biggest coordinated effort ever made to get a voluntary democratic evaluation of the farm programs.

First, we are going to the grassroots. I have written to the leaders of the general farm organizations, asking them to have their members debate the issues. All of the major organizations—the Grange, the Farm Bureau, and the Farmers Union—have responded with enthusiasm. They have prepared discussion material, alerted their members, and are mobilizing their resources to do this job. The discussions are now under way. As the organizations complete their discussions and pass their resolutions, they will report.

I urge all of you to participate in this nation-wide forum.

A second avenue of approach is being taken by the Congress. A Congressional committee has begun to hold hearings throughout agricultural America. This series of hearings will give farmers and ranchers an opportunity to go directly to the law makers with their suggestions. The Congressional inquiry is bipartisan. Republicans and Democrats alike are taking part.

The third approach is being carried on by the Department of Agriculture. This is an effort to learn the thinking of our best-trained professional people in agriculture.

We have made specific requests for the study of certain problems of farm price support legislation. Our inquiry sought the best opinions of the best informed people without reference to political party. We obtained judgments from institutions in every section of the country, and on every major farm product.

We have already progressed far enough in this review to learn that no single solution is appropriate for all commodities. For some farm products, such as tobacco, the present program seems to be working well; for others, improvements appear necessary and practicable. For some commodities, many authorities feel that a two-price plan has promise. In any event, this and all other possibilities will be thoroughly studied.

We must, and we shall, improve the price programs to provide both adequate protection and adequate incentive for our agriculture.

But we cannot solve our program problems by prejudice, nor by partisanship, nor by political expediency. We can solve them only through the application of sound principles.

Our principles, in turn, must be built upon a foundation of wisdom. Now wisdom, as someone has said, is merely an uncommon degree of common sense. Or perhaps a better definition of wisdom is that it is the art of proper evaluation—the wise application of knowledge. Thus, to cling fast to moral values—to set our sights above the dollar sign—is wisdom.

There is a golden vein of wisdom in most farm people. In an age of marked materialism, there is still a rugged adherence to higher values in our rural people.

"Who Is a Farm Success?"

I recall that a few years ago a farm magazine conducted a poll among rural people on the question: "Who Is a Farm Success?" Is it the person who gets the biggest return on his capital investment? Is it the farmer who gets the highest yields per acre? Is it the person who is able to retire young? Is he the farmer who takes the best care of his land? Is he the person who has interests and satisfactions that do not depend on money income?

The answers to this question, "Who Is a Farm Success?" ranked as follows:

First, the person who takes best care of his land. Second, the farmer who has interests and satisfactions that do not depend on income. Third, the person who gets the biggest return on his investment. Fourth, the farmer who gets the biggest yields.

Now, there, it seems to me, is a definite indication that farm people do possess a good sense of values—that they do have wisdom.

They show this basic wisdom in many other ways also. They show it in their devotion to the family farm pattern of agriculture.

They show it in their eagerness to apply research to their farming operations.

They show it in their basic independence and their love of freedom.

They show it by the high value they place upon farm ownership.

Their wisdom is deep-rooted in our national history. From the beginning it made its indelible imprint upon the character of our Nation. This is evident in an address delivered 120 years ago, in the year 1833, at Brighton, Massachusetts. I want to quote for you one of its wise paragraphs:

"Whoever heard of an enlightened race of serfs, slaves, or vassals? How can we wonder at the forms of government which prevail in Europe, with such a system of monopoly in the land as there exists? Nothing but this explains our own history, clears up the mystery of the Revolution, and makes me fully comprehend the secret of our own strength. Austria or France must fall, whenever Vienna or Paris is seized by a powerful army. But what was the loss of Boston or New York, in the Revolutionary war, to the people of New England? The moment the enemy set his foot in the country, he was like the hunter going to the thicket to rob the tigress of her young. The officers and soldiers of the Revolution were farmers and sons of farmers, who owned the soil for which they fought; and many of them, like the veteran Putnam, literally left their ploughs in the furrow to hasten to the field. The attempt to conquer such a population is as chimerical as it would be to march an army down to the seashore, in the Bay of Fundy, when the tide is rolling in seventy feet high, in order to beat back the waves with their bucklers."

I know from my own boyhood experiences the value of life on a farm as a member of a large family. I prize highly the lessons of thrift, self-reliance, work, awareness of Providence as evidenced in nature, cooperation, and tolerance that were deeply impressed upon me in those formative years.

If we are truly wise we will be very sure that the family farm remains strong and secure as one of the bulwarks of American democracy. For it is from the family farms of the United States that the vast majority of the Nation's leaders have come. We look to our farm people not only for leaders, but for the ideals that sustain them.

If we apply sound principles based on wisdom to farm problems, we have every reason to approach the future in an atmosphere of high hope.

This, it seems to me, is especially true here in the South.

We expect remarkable achievements for the whole Nation from agricultural research and education—but there is no area where research and education can work greater wonders than in the South.

We expect further advances in production efficiency based on mechanization and power farming —but nowhere are the prospects better than in the South. There are four times as many tractors on Southern farms now as there were in 1940. The number of acres of cropland per tractor in the South are today about the same as in the Corn Belt. Since 1945, the number of grain combines in the South has nearly tripled. There are now 10 times as many cornpickers in the South as in 1945, seven times as many pickup hay balers, and nearly five times as many milking machines.

Yet there are tremendous strides still to come. For eaxample, only one-fifth of our cotton production is mechanically harvested.

We expect further progress in the shift toward grasslands farming—nowhere do the possibilities of pasture improvement exceed those of the South.

We believe the trend toward heavier production of livestock and livestock products will continue, especially since our population is growing rapidly. The increasing industrialization and urbanization of the South is stepping up the demand for locally produced meat, milk, and eggs. More consumers in cities and higher incomes resulting from non-farm work mean greater consumption of these foods.

Industry is expanding rapidly. South Carolina, I understand, now leads the nation in textile production. Virginia leads in synthetic fibers. Georgia has averaged one new manufacturing enterprise per working day from 1946 to the present. A huge chemical industry is growing up in the South; more than half of the nation's new chemical plants have been built in the South in recent years.

Some of the pressure caused by too many people seeking to make their living from the land has been eased both by industrialization and by migration from the South to other parts of the country. Between 1940 and 1952, farm employment in the Southern States decreased by about one-fifth. The number of hired workers declined about one-fourth, and the number of sharecroppers dropped still more — about one-third. The average size of Southern farms has been rising. A larger proportion of the farms are now family operated.

Yes, the South is changing fast.

Wherever there is change, there is also need for adjustment. It will be our earnest endeavor to render the utmost in service to your agriculture as you continue to adjust to changing conditions of market and supply.

Less Dependence on Government

We shall use wisely the programs of aid available, but we shall also lay the groundwork for a future in which farmers will require not more but less dependence upon the government in Washington — and will have not less but more ability to work out their own problems.

We shall emphasize research and education as the most important method of improving the long-term welfare of farm people and the whole nation. Research and education will become increasingly valuable in guiding farmers to the adoption of new practices—in making wise production adjustments—in building up the strength of the land—and in providing more efficient marketing.

Let us apply sound principles to our agricultural problems.

Let us practice true wisdom, which is to live and work so as to enjoy the approbation of Divine Providence.

Let us test all our actions against the measuring stick of God-given American ideals.

Let us go forward with high hope.

Bond Club of Detroit Elects New Officers

DETROIT, Mich. — Robert D. Savage, Resident Manager of Baxter, Williams & Co., has been elected President of the Bond Club of Detroit for 1953-1954.

Robert D. Savage

Prominent in local bond circles, Mr. Savage entered the business with Crouse & Co. in 1936, after attending the University of Michigan. Since then he has been in the securities field continuously with the exception of five years during World War II, when he served with the Artillery Branch of the U. S. Army, from which he was discharged with the rank of Major. He has served the Board Club as Chairman of the Entertainment Committee, Secretary-Treasurer, Vice-President and director.

Other officers elected include T. Norris Hitchman of Kenower, McArthur & Co., Vice-President; Milo O. Osborn of Paine, Webber, Jackson & Curtis, Secretary-Treasurer. Directors are the above officers, and also Ernest B. Kelly, Halsey, Stuart & Co., retiring President; Charles C. Bechtel, Watling, Lerchen & Co.; Cecil R. Cummings, First of Michigan Corp.; Victor P. Dhooge, Manley, Bennett & Co.

Committee Chairman are Ernest B. Kelly, Finance; T. Norris Hitchman, program; Victor P. Dhooge, entertainment; Charles C. Bechtel, membership; and Cecil R. Cummings, publicity.

To open its 38th year, the Bond Club will entertain its members at the Country Club of Detroit on Sept. 22, with a golf party and outing.

Dulles Explains U. S. Policy on Korea

In address at American Legion Convention, Secretary of State says proposed treaty with Communists in Korea must make it unlikely that a new unprovoked military aggression will come about. Looks for a political conference to bring peace in Indo-China.

Speaking to the American Legion Convention in St. Louis on Sept. 2, Secretary of State John Foster Dulles reviewed the developments that led up to the truce in Korea and then turned to the political issues involved in the forthcoming "political conference" to be held between the representatives of the United Nations and the North Korean Communists.

John F. Dulles

Concerning this topic, the Secretary said:

"We can all take satisfaction in the fact that President Eisenhower has found it possible to stop the fighting on honorable terms. Now, we turn to the political aspects of the problem.

"I headed a delegation that went to Korea last month to discuss these matters with President Syngman Rhee. We acted with a background of regular consultation with Congressional leaders, both Democrat and Republican. The Republic of Korea and our delegation then agreed on the terms of a security treaty. It will not, of course, be effective until the Senate gives its consent.

"This proposed treaty is another step in the development of a Pacific security system. The treaty would complement the earlier treaties which I negotiated in 1951 with the Philippines, Australia, New Zealand and Japan. Also, the Korean treaty would prevent any recurrence of the enemy miscalculation of 1950 which brought about the Korean war. The proposed new security treaty will constitute a clear warning. It will make it unlikely that the Republic of Korea will be subjected to another act of unprovoked military aggression which would again involve the United States.

"As another deterrent to renewed aggression, the United States and the other fifteen members of the United Nations which fought aggression in Korea issued a declaration that if the armistice should be breached by unprovoked Communist aggression, then the sixteen nations would again be united and prompt to resist." Also, that declaration points out that "the consequences of such a breach of the armistice would be so grave that, in all probability, it would not be possible to confine hostilities within the frontiers of Korea.

"Since 1950, the forces of aggression have been supplied, equipped and protected by air, from unmolested bases in China, just north of the Yalu. If, however, the Communists desire to resume the war, they now know that they could no longer count on this 'privileged sanctuary.'

"We are now making plans for a political conference which, we hope, will turn the armistice into permanent peace.

"There have been some differences of opinion as to the Composition of the conference. Some, for example, favored the inclusion of India. These matters were debated and resolved at the meeting of the United Nations [General] Assembly which concluded last week.

"The United States opposed the inclusion of India in the Korean conference. We did so reluctantly, but for two reasons that seemed controlling. The Korean armistice agreement called for a conference of the two 'sides' and India did not fit into either side. India did not want to be identified with the Communist side and it had preferred not to join with the forces fighting aggression in Korea.

"That was India's privilege. But, like most privileges, it cost a price. One price was profound distrust on the part of the Republic of Korea. When I visited Korea last month I realized the full intensity and depth of this distrust. That provided the second reason why we opposed the inclusion of India.

"Korea is the primary subject of the political conference. Seventy-five per cent of all Koreans are under, and loyal to, the Republic of Korea. They have shown an intensity of anti-Communist dedication and a willingness to sacrifice which has few, if any, historic parallels. Their attitude cannot prudently be ignored.

"The United Nations has been inclined to debate Korean matters without paying much attention to the Republic of Korea. Some of the member states seem to have asumed that the Republic of Korea would automatically go along with anything that the United Nations wanted. In fact, the Republic of Korea is not a puppet. It has a will of its own, and 20,000,000 people have backed that will with enormous sacrifices.

"The Korean question cannot be settled without the Republic of Korea. We felt that the United Nations should give the political conference its maximum chance to succeed. So the United States voted against extending and invitation to India. In doing so, we had the support of good friends. Also we regretfully split votes with some other good friends. In the end, India graciously withdrew.

"Our action involved no reflection upon India. This Administration has great respect for India and we seek friendship with India. We have already shown that in unmistakable ways and we intend to go on showing it.

"But the forthcoming conference is a serious business. It is a prolongation of the struggle in which over 25,000 Americans laid down their lives, and in which nearly 125,000 more became casualties. We owe it to these Americans to be as disciplined in our political thinking as they were disciplined in the cause of liberty.

"We have come to another conclusion regarding the post-armistice conference. We shall not sit in it indefinitely.

"There is a long record of Communist negotiations which have been dragged our merely in order to give the Communists a cover for achieving ulterior purposes.

"Negotiators seeking an Austrian peace treaty have met 374 times since 1946—and last week the Soviets announced that they called the whole thing off.

"In 1951, the deputies of the so-called Big Four foreign ministers spent 109 days in Paris talking repetitiously and futilely about an agenda for a proposed Big Four meeting on Germany—a meeting that was never held.

"The Korean armistice negotiations, begun in June, 1951, were for many months prolonged as a cover for a Communist military build-up and, by the first of this year, they had lapsed into nothingness.

"We shall not repeat such a performance. We are always ready to negotiate in good faith. But we expect good faith to be mutual. We shall not lend ourselves to Communist maneuvers designed to win their ends through guile.

"So, if the Korean conference discusses Korea for three months without making genuine progress toward the settlement of the Korean business, we shall pause to take stock of the situation. We shall consult with the Republic of Korea and with our other friends. If, as a result of these consultations, we conclude that the conference is serving no useful purpose, we shall expect to withdraw from the conference.

"We believe that, in negotiating with the Communists, we should always have in mind a terminal point.

Does Not Forecast Result

"It would, of course, be foolish to attempt to forecast what the result of the Korean political conference will be. It ought to succeed; but that is not to say that it will succeed. The United States, at least, has no secret or ulterior purposes. We seek no pretext for turning Korea into a United States base on the Asia mainland. We seek only the long-proclaimed goal of the United Nations, namely, the peaceful unification of Korea under a representative form of government.

"We stand for 'a united Korea for free Koreans.' On details, our thinking is flexible. We hope that the Communists will come to the conference in the same spirit, and not throw roadblocks in the way of achieving a simple and fair result, in the interest of the long-suffering Korean people.

"We do not make the mistake of treating Korea as an isolated affair. The Korean war forms one part of the world-wide effort of communism to conquer freedom. More immediately it is part of that effort in Asia.

"A single Chinese Communist aggressive front extends from Korea on the north to Indo-China in the south. The armistice in Korea, even if it leads to a political settlement in Korea, does not end United States concern in the Western Pacific area. As President Eisenhower said in his April 16 speech, a Korean armistice would be a fraud if it merely released Communist forces for attack elsewhere.

"In Indo-China a desperate struggle is in its eighth year. The outcome affects our own vital interests in the Western Pacific, and we are already contributing largely in material and money to the combined efforts of the French and of Vietnam, Loas and Cambodia.

We Americans have too little appreciated the magnitude of the effort and sacrifices which France has made in defense of an area which is no longer a French colony but where complete independence is now in the making. This independence program is along lines which the United States has encouraged and justifies increased United States aid, provided that will assure an effort there that is vigorous and decisive.

"Communist China has been and now is training, equipping and supplying the Communist forces in Indo-China. There is the risk that, as in Korea, Red China might send its own army into Indo-China. The Chinese Communist regime should realize that such a second aggression could not occur without grave consequences which might not be confined to Indo-China. I say this soberly in the interest of peace and in the hope of preventing another aggressor miscalculation.

Sees Another Conference

"We want peace in Indo-China also. The political conference about to be held relates in the first instance to Korea. But growing out of that conference could come, if Red China wants it, an end of aggression and restoration of peace in Indo-China. The United States would welcome such a development.

"These international tasks are, as you can see, complicated. However, one simple sentiment dominates all that we do. We seek to promote the welfare of the United States."

Henry J. Arnold V.-P. Of Geo. Eustis Co.

CLEVELAND, Ohio—Henry J. Arnold has become associated with Geo. Eustis & Co., Traction Building, members of the Cincinnati and Midwest Stock Exchanges, as Vice-President. Mr. Arnold, who has been in the investment business for many years, has recently been associated with H. B. Cohle & Co. He is a former President of the National Security Traders Association.

Henry J. Arnold

P. J. Ryder Joins Bartow Leeds & Co.

Bartow Leeds & Co., 57 William Street, New York City, dealers in government, municipal, revenue and corporate bonds, have announced that Patrick J. Ryder is now associated with the company in revenue bond department.

Mr. Ryder's bond experience began in 1928 and subsequently he was connected with several Wall Street firms and bond houses. From 1947 to 1953 he was active in the bond business in New Mexico and Arizona. On his return to New York this year he joined Bartow Leeds & Co.

Paul Koughan Joins J. A. Hogle & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Paul J. Koughan has become associated with J. A. Hogle & Co., 507 West Sixth Street. He was formerly an officer of Cantor, Fitzgerald & Co., Inc. and of Income Estates of America.

With Walston Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James W. Zink has joined the staff of Walston & Co., 550 South Spring Street.

With First Southern Inv.

(Special to The Financial Chronicle)

BOYNTON BEACH, Fla.—Mrs. Frances Y. Olson has joined the staff of First Southern Investors Corp., 524 Jasmine Street.

Bache Adds to Staff

(Special to The Financial Chronicle)

MIAMI, Fla. — David Lahn is with Bache & Co., 96 Northeast Second Avenue.

Joins Frank Edenfield Co.

(Special to The Financial Chronicle)

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

CLOSED-END NEWS

THE NET ASSET value of the Common Stock of The Colonial Fund, Inc. was $20.51 per share at Aug. 31 as compared with $21.42 per share at July 31 and $21.67 per share at Oct. 31, the end of the company's fiscal year. Total net assets of the company amounted to $12,861,000.

Mutual Funds

By ROBERT R. RICH

Affiliated Fund Offers Dealers Entire Sales Charge On New Periodic Plan Investments

Lord, Abbett & Company, underwriters for Affiliated Fund, announced today that it will offer mutual fund retailers the entire sales charge of 7½% (less the bank's fee) on all amounts invested under its newly-organized perodic payment plan, except that on single payments in excess of $300, dealers will receive the standard commission and Lord, Abbett will pay the bank fee.

The company stated in its announcement to dealers, "We are pleased to announce an expansion of our program under which dealers have already arranged for 11,000 shareholders of Affiliated Fund to buy additional shares of stock every three months with their cash dividends.

"Under the expanded program, dealers may arrange for shareholders to buy additional shares on a periodic investment basis both with their cash dividends and with other funds which they may forward from time to time to Guaranty Trust Company of New York.

"The expansion of the program on a self-sustaining basis enables us both to accommodate the many dealers who wish to use Affiliated Fund for their periodic investment accounts and to continue to make the shares attractive to large investors by our reduced price on orders involving $5,000 or more. By continuing to forego the possibility of a profit on small periodic investment accounts we also continue to avoid the possibility of a loss which might jeopardize our ability to help dealers secure large orders with a reduced price resulting from a narrowing of our own profit margin.

"Dealers, on the other hand, will be able to make more than their usual commission by keeping very small accounts on a quarterly rather than on a monthly basis."

No initial payment under the program will be required from an investor who is a shareholder of Affiliated Fund. A new investor may become a member of the program by first becoming a shareholder through the purchase of at least 50 shares from his dealer for delivery and payment in the usual way, with the dealer's commission on the initial transaction at standard rates.

Periodic payments received by the bank before the 20th of each month will be invested at the public offering price on the 20th. Periodic payments received on and after the 20th of each month will be invested on the 20th of the following month, making 12 periodic investment dates and prices a year.

IN THE PAST two years the Canadian Province of Saskatchewan, Alberta's eastern neighbor, has risen from obscurity to the status of a potentially important source of oil, according to Calvin Bullock's September "Bulletin."

"About 60 million acres are under permit or lease for oil exploitation," the analysis states, "with large United States companies holding directly or otherwise about half of this acreage.

"Significant oil discoveries were made in south Saskatchewan in 1952 and activity this year continues high. Up to the end of July, nine important new fields had been found; five by the Tide Water group in the southwest, where the 1953 program calls for drilling 125 wells; two by Socony in the southern region where a development program of 200 wells is underway and is expected to uncover reserves of 100 million barrels. Shell Oil has discovered one field as has Gridoil, a Canadian concern.

"In view of these strikes, it seems certain that activity in Saskatchewan will continue on a high level for some time to come and that under the impetus provided by the research and development resources of important American oil companies, Saskatchewan is destined to become another valuable source of Canadian oil wealth."

GROSS SALES of Delaware Fund shares in August ran 16% ahead of August sales last year to top all previous marks for that month, W. Linton Nelson, President, reports. Mr. Nelson said the effect of the sales was to increase the number of shareholders in the Fund to an all-time high of 6,600. The mutual fund executive pointed out that Delaware closed the month with 971,238 shares outstanding—the largest number of outstanding shares since the Fund's organization in 1938 and up 14% over the same month last year.

EATON & HOWARD Stock Fund on Aug. 31 reported total net assets of $18,484,460, compared with $17,015,223 at the beginning of the year. The Fund was 93.9% in common stocks, with largest holdings in oil, power & light, insurance, banking and chemical fields. Offering price, from Dec. 31 to Aug. 31, declined from $26.09 to $24.00 per share.

EATON & HOWARD Balanced Fund on Aug. 31 reported total net assets of $95,399,974 and an offering per share of $32.43 compared with assets on Dec. 31 last of $94,486,854 and a price per share of $32.43. Fifty-eight per cent of the Fund's assets were in common stocks, 17% in corporate bonds, 15% in preferred stocks and 9% in cash, U. S. Government bonds and short-term notes.

The five largest common stock holdings, by industries, were oil, power & light, banking insurance and natural gas.

IN A LETTER accompanying the Aug. 31 dividend, shareholders of Bullock Fund were told of its increased stockholdings in the chemical industry group, now representing 9.67% of the Fund's net assets and second only to the utilities group.

Purchases during the fiscal quarter ended July 31, 1953 included 1,000 shares of American Cyanamid, 700 Diamond Alkali, 1,100 Haloid, 1,000 Hercules Powder, 2,000 Marathon, 3,500 RCA and 1,000 Union Oil. Sales included 500 Bethlehem, 3,000 Rock Island, 600 Illinois Central, 5,000 Marshall Field, 2,500 Republic Steel and 2,000 Southern Pacific. Holdings in Joy Manufacturing Co. were eliminated.

"HOW TO BE A Capitalist—On $25 A Month" is the theme of the current "Shop Talk," issued by Distributors Group, Managers of Group Securities, Inc. The "gray collar" man is suggested to dealers as a large and almost untouched market for mutual funds through the periodic investment plan. "Shop Talk" points out that the foreman, the machinist, the construction crew chief and other skilled workers who constitute the gray collar market are the new capitalists and, properly sold, can supply worthwhile radiation and future business.

University of California Begins Mutual Fund Training Course

The Society of Mutual Fund Retailers and the University of California's School of Business Administration in San Francisco, announced this week a four-day training course in mutual funds to be given Wednesday, Thursday and Friday evenings, Sept. 23-25, and Saturday morning, Sept. 26.

It was stated that, "It has been apparent to a group of leading mutual fund retailers that a uniform training course should be available for those interested in the sale of funds. The best way to raise the standards and practice of mutual fund salesmen is to increase their knowledge of the advantages and the limitations of the investment medium they distribute."

The training course, which is expected to be of substantial help to men now in the mutual funds business as well as attracting others who might be interested in a mutual fund sales career, is being built initially around a group of experienced mutual fund men in the San Francisco Bay area.

In making the announcement, it was said, "It is earnestly hoped that this course will be the beginning of a broad, formal training program for fund distributors and that in the future only fully-trained men will be in the field.

"The rapidly increasing public acceptance of the mutual fund principle has created a scarcity of adequately-trained men for sales management. The growing opportunities in the profit-sharing and pension field and with institutional investors such as the unions, lodges, churches and trustees have hardly been developed. Only by attracting the right man and properly training him can the industry take full advantage of the opportunities now becoming available."

MUTUAL FUND TRAINING COURSE PROGRAM

MODERATOR: JOSEPH EDELSTEIN, Director of Research, Stewart, Eubanks, Meyerson & York

Wednesday, September 23—

WELCOME: ROYAL A. ROBERTS, Associate Professor of Business Administration, University of California, Berkeley.

HISTORY OF MUTUAL FUNDS: S. WALDO COLEMAN, President, Commonwealth Investment Co.

MANAGEMENT OF MUTUAL FUNDS: HARRISON DIBLEE, Assistant Manager, Eaton & Howard, Inc.

OPPORTUNITIES FOR RETAILING MUTUAL FUNDS: MILES BURGESS, Pacific Coast Distributor, Group Securities, Inc.

Thursday, September 24—

TYPES OF MUTUAL FUNDS AND THEIR USES: NEIL T. FERGUSON, Proprietor, Mutual Fund Associates.

PROSPECTING: HOWARD PROEFROCK, Stewart, Eubanks, Meyerson & York.

Friday, September 25—

MUTUAL FUND PROGRAMS—SYSTEMATIC PLANS: LAUREN HANNAFORD, Manager, Mutual Fund Department, Hannaford & Talbot.

MUTUAL FUND PROGRAMS—ESTATE PLANNING AND PROFIT PLANS: MITCHELL T. CURTIS, Proprietor, Mitchell T. Curtis & Co.

THE APPROACH: CHARLES KRUCK, Investors Diversified Services, Eastbay Division.

THE INTERVIEW: ARNOLD GRUNIGEN, Partner and Sales Manager, J. Barth & Co.

Saturday, September 26—

CLOSING THE SALE AND ANSWERING QUESTIONS: JOHN BARNES, South Coast Division Manager, Investors Diversfied Services, Inc.

PLANNING AND RECORD KEEPING: CHURCHILL PETERS, Proprietor, Protected Investors of America.

SERVICE AND APPRECIATION: H. L. JAMIESON, Manager, San Francisco Division, Investors Diversified Services, Inc.

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Shrinkage of the Dollar

must lie on it: but we might as well be comforable."

He would tie wages and salaries to the cost of living, though not too rigidly, and also pensions and insurance premiums and benefits. In calculating tax liabilities and setting prices, corporations and real estate owners would have to be permitted to figure depreciation on a basis of replacement cost instead of actual historical cost. Pointing out the injustice to the poor, helpless to hedge their savings against inflation, he, like Professor Slichter, would have governments offer a bond that would "escalate" in value with the progress of inflation. Income tax exemptions and rates, fines, fees, railroad fares, etc., etc., now determined by law or regulation, would have to be made flexible.

In introducing these proposals, the "Economist's" correspondent makes no pretense that he has thought of all the injustices from inflation, and he makes no attempt to deal with far-reaching practical problems raised by his prescriptions for making inflation "comfortable." But the general import is that since money of stable value is fundamental to modern society, the whole structure has to be recast if money is not to waste away in value.

Carried through to its logical conclusion, every constitutional provision, law, regulation, and contract that mentions any sum of money would have to be put on the escalator. These things laboriously accomplished, the fate of the nation would be made to hinge on the skill and integrity of the index number calculators. And there would still be left unsolved the question whether there would be any recognizable credit machinery left — whether lenders would be prepared to lend without escalator protection and whether borrowers would be able to honor escalator liabilities.

The Totalitarian Drift

The greatest merit in Professor Slichter's and the London "Economist's" discussions is that they draw attention to the sources, in government policy, of inflation.

One thing which they do not develop, however, is the tendency for government, abetted by trade union leaders, to shift the blame for inflation to "profiteers" and to attempt to repress it with price controls. When controlled prices become unrealistic and supplies fail, the blame gets placed on "hoarders" and demands appear for government regulations over the disposal of the industrial product and for regimentation of the labor force to see that essential industries are adequately staffed. Again, as inflation swells the credit needs of business, the banks come under criticism for lending too much, and government policing of financial transactions is suggested. Thus totalitarianism insidiously beckons as a path of escape, as though government which cannot keep its own house in order is fit to be entrusted with powers of dictation over larger spheres.

The London "Economist," in comment on its correspondent's articles on "the Age of Inflation," warns that "if anything more than a very gradual fall in the value of money becomes the expectation of ordinary people, then there is acute danger ahead for democratic society." What these dangers are have been set forth by the late Lord Maynard Keynes. While his words were written after World War I, they could just as well have been written today against the background of World War II:

"Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their deserts, and even beyond their expectations or desires, become "profiteers" who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.

"Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

Playing With Fire

Professor Slichter expresses the view that there is a "limit of tolerance" on dollar depreciation of perhaps 3 or 4% a year. At 3½%, compounded, the price level would double—and the dollar lose half its value — every 20 years. Beyond that, he apprehends, people might be panicked into converting money into goods, precipitating runaway inflation.

Whatever the merits of his evaluation there is no question that any government that is playing with inflation is playing with fire. A government which embarks upon inflation as a course of policy, and offers guarantees against loss from inflation, impeaches its own credit. How, except by taxation, can a government ultimately make good on such guarantees? If taxation is stretched to the limit they can be met only by printing up more money and accelerating inflation. The more escalation schemes in operation, the faster the flames will spread.

There are times, to be sure, when a nation under stress of overwhelming emergency must take recourses to inflation. The United States did so during the Civil War, World War I, and World War II. In the first two cases, the move was taken with reluctance, and the nation accepted the pains of postwar deflation to restore the strength of the currency. In the case of World War II there was a feeling—born of the depression—that some currency inflation might be a good insurance policy for postwar prosperity. From that standpoint of creating abundant employment opportunities—and rising prices—it worked.

But from the standpoint of the creditor, the buyer of Savings Bonds, the pensioner, the insurance beneficiary, the school teacher with lagging pay—the experience during and since World War II has been disheartening. Inflation is a concealed type of tax and these are the people who took the brunt of it. Postwar inflation has compounded the injury.

Postwar inflation actually may hav ecreated more human tragedies than a spell of deflation might have done. Ironically, in this day of emphasis on old-age security shrinkage in the dollar strikes hardest at people past their working years, as well as people in their working years providently preparing for their future family security. It strikes at all of our institutional arrangements founded on the presumption of a sound currency.

To the economic planner a little inflation seems a fine idea. As Alfred Marshall, the celebrated British economist, pointed out 65 years ago, it deceives working people into thinking that they are better off than they really are. The longer it takes them to wake up to what is going on, the harder the inflation is to stop, the more damage is done in the process, and the worse the mess to straighten out when the day of reckoning comes.

Toward a Stable Money

In 1933, when the dollar was being intentionally depreciated in an effort to drive prices up, President Roosevelt informed the World Economic Conference meeting in London:

"Let me be frank in saying that the United States seeks the kind of dollar which a generation hence will have the same purchasing power and debt-paying power as the dollar value we hope to attain in the near future. That objective means more to the good of other nations than a fixed ratio for a month or two in terms of the pound or franc."

The Gold Reserve Act of 1934 repudiated the obligation of the Federal Reserve Banks to maintain unrestricted gold convertibility, as well as the right of the American citizen to hold gold, and cheapened the dollar 41% in terms of gold. It took 14 years—including a major war—for the dollar to lose 41 cents of its value in terms of consumers' goods. But the shrinkage did not stop there. It has kept on. Government policymakers no longer give assurances that the dollar is going to hold its value, generation after generation, even barring major war. The worthy purpose Mr. Roosevelt stated was not, and demonstrably could not be achieved by monetary manipulations. A stable dollar stands beyond reach so long as recourse is taken to fresh outpourings of public funds, excesses of cheap credit, price supports and subsidies every time the economy falters under the weight of excessive taxes or wage demands, or adjusts itself to changing consumer preferences and market conditions.

So far as gold policy is concerned, the forecasts of a shrinking dollar presume devaluations against gold as a matter of course, whenever the need arises to keep the inflation going. The simplest action government could take to rebuild faith in money, and to dash these grim expectations, would be to rewrite the Gold Reserve Act of 1934 so as to reaffirm and strengthen the present tie of the dollar to gold, and to shut the doors on the dangerous notion that the chief function of the Federal Reserve Banks is to provide cheap and depreciating money for government to spend and lend.

With McCarley & Co.

(Special to THE FINANCIAL CHRONICLE)

ASHEVILLE, N. C.—Bernard L. Hayes has become affiliated with McCarley & Co., Inc., Jackson Building.

Frederick R. Lockwood

Frederick R. Lockwood, limited partner in Lockwood, Peck & Co., passed away on Sept. 3.

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The Security I Like Best

that of the aluminum industry 20 years ago.

Operating within this promising field there are almost certainly some companies which will emerge as relative giants as they gain a fair share of the multi-million dollar business that seems assured. One of these, Lunn Laminates, Inc., appears to meet all the qualifications of a company with spectacular growth possibilities and at the same time has few of the above average risks usually associated with such a small company in a relatively new field. One of the early entries in this business, Lunn Laminates has been operating for five years, has shown a profit in every year but 1949, has increased its sales substantially every year, and is already recognized within the glass fiber plastics industry as one of the leaders.

This recognition has now been confirmed in a most concrete manner. Lunn Laminates has been selected by General Motors to manufacture the first of its Chevrolet "Corvette" glass fiber bodies. Lunn's new Ohio plant has already commenced deliveries on this order. The sports car and station wagon market from all appearances seems destined to belong to the reinforced plastics industry, a substantial dollar volume by itself. But the Oldsmobile Starfire, the Buick Wildcat and other more conventional models indicate pretty clearly to anyone who has seen them that these handsome glass fiber bodies are in all probability the economic salvation of the low production models such as the Lincoln, Kaiser, Hudson, etc., where high tooling costs for steel bodies makes the price of the glass fiber body actually competitive in price even now, tooling costs being virtually nothing compared with the 20 or 30 million dollars it takes otherwise.

Moreover, it is not unreasonable to assume its adoption for even the larger volume models now that an indisputable buyers' market faces the auto industry. A reinforced plastic car body is superior in almost every respect to steel, being non-corrosive, light in weight, dentproof and has superior impact resistance and better noise absorption properties. It is also more comfortable to the touch in extremes of weather. A much greater variety of styles is possible with glass fiber bodies and nothing will make the average person buy a new car more readily than a new model with a sleeker looking body than his present car, even if the latter is just a year or two old. And if resort to glass fiber so as to facilitate more frequent and drastic changes in body design means in turn more cars can be sold, conversion by all manufacturers, large and small, to the extent of several million cars a year is a distinct possibility. If only 200,000 cars or roughly 4% of Detroit's yearly production is captured, an added $60 million will accrue to the glass fiber plastics industry. And if it eventually runs two million car and truck bodies, the total would run around $600 million. And Lunn Laminates certainly can be expected to get a reasonable share of this business.

This company was incorporated in 1948 and its President, James Lunn, is regarded as one of the outstanding technicians in the field of glass fiber reinforced plastics. Sales grew uninterruptedly from $106,000 in 1949 to $892,000 in 1952. And total volume this year will be more than double the $1.4 million reported for the fiscal year ended April 30, 1953. Most of the work has been military until recently, but now over a third of its present substantial backlog of orders is of a civilian nature. Moreover, it is fairly well diversified, ranging from bodies for General Motors, Kaiser and United Parcel Service trucks to bathtubs and boat hulls. And its military work is of such a nature that it probably will not be curtailed to any great extent in the near future.

The company has a small capitalization, having made a public offering of 149,500 shares at $2 a year ago. The balance of 182,800 shares are held mostly by management, usually a favorable factor in itself. With the end of excess profits taxes after Dec. 31, 1953, the discontinuance of many of the small unprofitable types of work in favor of long run, high volume projects and the end of costly experimental development work, Lunn should begin to show substantial earnings on probable sales of $2½-3 million it will enjoy the next 12 months and the progressive increases in volume it should experience in future years. Management is pointing from now on to a 25% gross profit margin, and earnings in the present fiscal year could run around $1 a share before taxes. As in any worthwhile growth situation during the early stages, dividends are out of the question for sometime until finances are strengthened. But enough progress has already been made to indicate that much of the risk usually inherent in most otherwise worthwhile speculative situations is already behind this company for those buying the stock at $4.

And, of course, there is always the possibility that some large company already in the automotive or aircraft field will acquire Lunn Laminates. This would probably be accomplished by offering to existing stockholders an attractive price per share above the then prevailing market price. A recent example of such an absorption in a somewhat similar situation was the purchase by Republic Steel of a small plastic pipe company that was beginning to make a name for itself.

For those wishing to minimize their risk, a limited number of warrants, originally issued to management and the underwriters, will be available after Oct. 1, of this year, before which, under the terms of the original offering, they cannot be traded. These warrants entitle the holder to purchase the common stock at $2, and inasmuch as they do not expire until Aug. 31, 1958, they afford some five years for the company's overall worth and leadership in the glass fiber reinforced plastics field to be confirmed. Lunn Laminates common stock is traded in the over-the-counter market.

Russell Smith to Senate Advisory Committee

SAN FRANCISCO, Calif.—Russell G. Smith, Executive Vice-President of Bank of America, has been appointed to the advisory committee to the Banking and Currency Committee of the United States Senate by Senator Capehart, it was learned today.

Mr. Smith, who is in charge of his bank's international activities, will serve to counsel the Capehart committee in its study of the operations of the Export and Import Bank and the International Bank for Reconstruction and Development. This study is being undertaken, it was announced, in a search for means to extend and improve international trade among the free nations.

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Canada's Economic Growth Since 1939

is an actual decrease of $2.3 billion or 17.5%. Comparable per capita figures are $1,092 for 1946 and $752 for 1953, a decrease of 31%. This result has been achieved through seven consecutive Federal surpluses.

(5) Characteristics of Canadian Federal Taxes: As a result of the reduction in the national debt Canada has been able to reduce excise taxes, personal income taxes, and corporate income taxes to a considerably greater extent than in the United States. Many of the luxury taxes which are still in effect in this country have been eliminated or greatly reduced in Canada. The following are some brief comments on the more important taxes:

(a) Personal Income Tax: Although rates are still high in Canada there have been certain reductions during the past several years. The most recent budget put into effect approximately an 11% reduction, effective July 1, 1953.

(b) No individual Capital Gains Tax: This applies except in cases where the individual's principal business is trading.

(c) Dividend Credit. On dividends on both Canadian preferred and common stocks Canada today allows a credit of 20% of the amount of such dividends against the total income tax paid by an individual. This is a big step toward eliminating double taxation.

(d) Corporate Income Taxes are today at the rate of 49% which is somewhat lower than in the United States. Since this rate includes a 2% old age security tax and a 5% credit in lieu of provincial income taxes it will be noted that the overall rate is considerably lower than in the United States.

(e) No Excess Profits Taxes. Although Canada retained its excess profits tax for a year or more longer than the United States, once it was eliminated it was never reinstated.

(6) Control of Inflation Through Control of Credit: It has already been stated that Canada retained personal and corporate income taxes and excess profits taxes for at least a year after the end of World War II. It also retained price and wage control and rationing for a longer period. Once these restrictions were eliminated or reduced the pent-up demands for consumers goods resulted in such large expenditures in the United States that Canada in the latter part of 1947 found it necessary to reinstate import restrictions. These restrictions and an inflow of capital substantially built up Canada's holdings of gold and U. S. dollars in a short time.

Prior to the Korean War when the gold and dollar reserves were again at a high level Canada removed restrictions and the demand for imported goods from the United States again increased. Through her branch banking system it was possible, however, to tighten credit both on consumers goods and on durable goods to an extent where the cost of living particularly during the last year has shown a decline.

An Examination of Canada's Growth Industries

Since it has been shown clearly in the first part of this lecture that the postwar years 1946-1953 represent the greatest period of expansion in Canada's history, this examination of growth industries will be concerned almost entirely with these years.

(1) Private Capital Investment by Industries: Of the total new capital investment for the years 1946-1953, inclusive, of $29.7 billion, $21.9 billion or 74% was expended by private industry. Table II shows the detail by industries as well as the various categories of the manufacturing industry:

(2) The Housing Industry: More money has been expended in housing in Canada since 1946 than in any other industry. The total new capital investment for housing of $7.4 billion is divided $6.1 billion or 82% by private industry and $1.3 billion or 18% by public bodies. The expenditures by governments included publicly-owned institutions such as schools and hospitals.

Several indices which show further the expansion in the housing industry are listed in Table III.

The construction of houses is carried on in Canada as in the U.S.A., by many individuals and small companies. There are, however, several important Canadian corporations which serve the industry directly such as: Canada Cement, Gypsum, Lime and Alabastine, MacMillan & Bloedel and Canadian Western Lumber as well as numerous other companies which serve it indirectly.

(3) Petroleum and Natural Gas Industry: Nothing has contributed more to Canada's expanding economy than the discovery and subsequent development of enormous crude oil reserves in Alberta and Saskatchewan. The change which has taken place in the petroleum industry since the Leduc discovery in February, 1947, is shown by the statistics in Table IV.

Although exploration for oil and natural gas is still in its early stages when compared with the exploration which has taken place in the U. S. A., it is already agreed upon by oil geologists that Canada is almost certain to develop at least 10 billion barrels of oil reserves and possibly as much as 40 billion barrels if the geological formations favorable to oil prove productive at the same rate as in the U. S. A. Natural gas reserves are already accepted to be 10 trillion cubic feet and eventually should be several times that figure.

Discoveries so far this year have probably raised proven reserves to well over 2 billion barrels and current production is 265,000 barrels daily. This is at a rate which is in excess of 50% of consumption as compared with only 9% in 1946 and 36% in 1952. With the opening of the extension of the Interprovincial Pipe Line Company Limited to Sarnia, Ontario, and the completion of the Trans Mountain Pipe Line Company Limited to Vancouver, both scheduled for this fall, Canada will be able to move at least 300,000 barrels per day. Added pumping facilities can raise the daily movement to 500,000 per day, a figure which is equal to Canada's present consumption.

Already more than a billion dollars have been invested in all phases of the Canadian oil industry of which half has been raised at home and the other half largely from major oil companies in the U. S. A. The three integrated Canadian oil companies are Imperial Oil, British-American Oil and McColl-Frontenac Oil. Other important Canadian companies in the industry are Canadian Pacific Railway—oil lands; Royalite Oil Company — production, refining and exploration; Canadian Oil Companies — refining and distribution; Supertest Petroleum—distribution; and Amurex Oil Development, Pacific Petroleums, Federated Petroleum, Western Leaseholds, Bailey Selburn and Calgary and Edmonton Corp.—exploration and some production. Natural gas is produced and distributed by Union Gas Company of Canada and International Utilities.

(4) The Iron Ore Industry: Second only in importance to the discovery of crude oil in Canada is the development of the rich and extensive iron ore deposits of the Iron Ore Company of Canada on each side of the Quebec-Labrador boundary, some 360 miles north of the St. Lawrence River. The development of these reserves, already proven to the extent of 460 million tons is a $250 million project, including the 360-mile railroad, harbor development at Seven Islands and open pit mines.

When completed in the fall of 1954 it is expected that some 10 million tons of ore will be produced in the first year of operation. The railway will be capable of handling several times that tonnage. Iron Ore Company of Canada is owned by five U. S. steel companies and Hollinger Consolidated Gold Mines Limited and its subsidiaries. Hollinger, which has the largest stock interest in Iron Ore Company of Canada (17%), also will benefit from royalties on the ore which is mined. A substantial amount of the production will be exported to the five steel companies and to Bethlehem Steel. The building of the St. Lawrence Seaway should greatly increase production beyond the 10 million ton figure.

The production of iron ore in Canada from sources other than Quebec-Labrador has increased from 124,000 tons in 1939 to 4,680,000 tons in 1951 and 5,208,000 tons in 1952. This gain has been developed from the intensive mining operations of Dominion Steel and Coal Corp., Ltd. in Newfoundland, Algoma Steel Corporation Limited, in the Algoma district of Ontario, Steep Rock Iron Mines Limited, north of Lake Superior ad many smaller mines.

(5) Base Metal Industries: The index of mineral production of the Dominion Bureau of Statistics based upon 1935-1939=100 increased from 118 in 1939 to 162 in 1951 and 175 in 1952. The trend in the physical volume of certain minerals may be detailed as indicated in table V.

There have been many new discoveries of strategic minerals in Canada since the end of World War II, and vast sums have been spent upon the development of new mines and smelters. The more important of these developments are discussed briefly in the following paragraphs:

(a) **Aluminum:** Although Canada does not produce bauxite, the ore, the smelting and refining of aluminum is one of Canada's most important industries because of low cost hydro electric power. Between 1951 and 1954 Aluminum Limited through its Canadian operating subsidiary has authorized some $400 million on expansion in Quebec and at Kitimat, B. C. of which $282 million was spent in 1951 and 1952. As a result its capacity, the largest of any aluminum company in the world, will be increased from 90,000 tons in 1939 to 500,000 tons in 1952 and 583,000 tons in 1945.

(b) **Titanium:** One of the important post-war discoveries and subsequent development has been by Quebec Iron & Titanium Corp. of ilmenite, the basic ore of titanium Corp. of ilmenit, the basic ore of titanium. The deposits of Allard Lake, Quebec, some 27 miles from the St. Lawrence River already has 100,000,000 tons of proven reserves. The project, which is two thirds owned by Kennecott Copper Company and one-third by New Jersey Zinc Company was completed in 1952 at a cost of $45,000,000 including the open pit mine, the railway, harbor facilities and an electric smelter at Sorel.

(c) **Nickel:** The almost insatiable demand for nickel has led to an intensive search for that strategic metal. International Nickel Company of Canada, the largest producer of nickel in the world, has spent over $150 million in the last ten years on a more intensive development of its underground ore bodies. In addition, Falconbridge Nickel, also in the Sudbury area of Ontario, has found a very important new ore body which will greatly increase the production of that company. It has already arranged for loans of approximately $11 million for development.

One of the most important nickel discoveries is in the Lynn Lake area of northwestern Manitoba where Sherritt Gordon Mines has developed a new mine. Canadian National Railway has constructed a line some 120 miles long to connect this mine with one of the main transcontinental railroads. Sherritt Gordon is also constructing a refinery using the new ammonia leaching process at Fort Saskatchewan, Alberta. The entire project will be in operation at the end of this year. Capital outlay excluding $10 million for the railway is approximately $40 million.

(d) **Copper:** One of the most important copper discoveries in recent years was made in the Gaspe area by a subsidiary of Noranda Mines Limited. The ore body in the Gaspe contains an estimated 67 million tons of proven reserves and the company is proceeding with the construction of a 6,500 ton a day plant. Financing by Noranda for this development and for the development of the zinc-pyrites property acquired from Macdonald Mines Limited is in excess of $30 million.

(e) **Other Raw Metals:** The Consolidated Mining and Smelting Company of Canada Limited which at Trail, British Columbia, has one of the largest lead-zinc mines in the world has undergone a modernization and expansion program totaling approximately $65 million. Other major base metal producers which have expended large sums of money on expansion in recent years are Asbestos Corporation, Hudson Bay Mining & Smelting Company and Quemont Mining Corporation. There are numerous other smaller companies which also are in vari-

TABLE II

Private New Capital Investment in Canada — 1946-1953

By Industries—	Amount	Percent
Housing	$6,100,000,000	28%
Manufacturing	5,000,000,000	23
Agriculture and Fishery	3,400,000,000	16
Public Utilities	3,200,000,000	15
Trade—Retail and Wholesale	1,500,000,000	7
Mining and Oil Wells	1,100,000,000	5
Construction	500,000,000	2
Commercial Services	500,000,000	2
Finances and Insurance	300,000,000	1
Forestry	300,000,000	1
Total	$21,900,000,000	100%
Divisions of Manufacturing—		
Wood, Pulp and Paper	$1,000,000,000	20%
Food and Beverages	600,000,000	12
Iron and Steel	600,000,000	12
Petroleum, Coal, etc.	500,000,000	10
Textile and Clothing	400,000,000	8
Non-ferrous Metal	400,000,000	8
Chemical	400,000,000	8
Transportation Equipment	300,000,000	6
Printing and Publishing	100,000,000	2
Miscellaneous	700,000,000	14
Total	$5,000,000,000	100%

NOTE—Since many industries such as the petroleum industry are integrated, the capital investment would be included under several broad industry classifications such as "Mining and Oil Wells," "Manufacturing," "Trade" and "Commercial Services."

TABLE III

	1939	1951	1952	Increase 1939-1952
Building Permits (millions)	$60	$431	$517	761%
Sawn Lumber (million board feet)	3,987	6,535	6,349	60
Building Bricks (millions)	166	360	360	114
Cement (thousand barrels)	5,724	17,124	13,408	222

TABLE IV

	1946	1951	1952	Increase 1946-1953
Crude Oil Reserves (million bbls.)	44	1,376	1,745	3,865%
Crude Oil Production (M bbls per day)	21	130	167	695
Domestic Oil Consumption (M bbls. per day)	225	424	439	108
Producing Wells (at year end)	607	2,846	4,000	559
Natural Gas Productions (billion cubic feet)	47.9	79.5	95.8	100

TABLE V

	1939	1951	1952	Increase 1939-52
Aluminum Ore Imported (thous. tons)	1,021	4,817	4,915	283%
Asbestos (thousand tons)	365	973	929	155
Copper (million lbs.)	608	540	517	—15
Nickel (million lbs.)	226	276	280	24
Lead (million lbs.)	389	317	333	—14
Zinc (million lbs.)	395	683	733	86
Gold (thousand ozs.)	5,100	4,392	4,476	—12
Silver (thousand ozs.)	23,160	23,124	25,176	9

TABLE VI

	1939	1951	1952	Increase 1952 Over 1939
Electric Power Sales (millions of kwh.)	28,344	57,420	61,788	118%
Cigarette Sales (millions)	7,128	15,672	17,844	150
Refrigerators (thousands)	51	277	237	365
Washing Machines (thousands)	104	240	248	144
Radio (thousands)	348	629	486	40
Television Sets (thousands)	---	49	126	*151
Steel (thousands of tons)	1,552	3,568	3,721	140
Motor Vehicles (thousands)	156	414	438	181

*Increase 1952 over 1951. First two months 1953 increase 766%.

ous stages of development and expansion.

(6) **The Pulp and Paper Industry:** According to the distribution of capital in manufacturing between 1946 and 1953, wood, pulp and paper led all the rest with a total new investment of approximately $1 billion. The lumber industry, of course, has benefited materially from the housing boom and the pulp and paper industry as a result of its modernization program is in the soundest condition in its history. For several years the newsprint industry has operated at full capacity and there is no visible sign of let-up in demand.

Although Canada still exports a very substantial part of its entire newsprint production, paper products other than newsprint are today almost entirely consumed domestically. This is a direct change from pre-war days. In addition, through conservation methods the supply of pulp wood is virtually on a self-perpetuating basis and therefore the pulp and paper industry is no longer of a depleting nature.

The production of newsprint has increased from 2,927,000 tons in 1939 to 5,520,000 tons in 1950, and 5,780,000 tons in 1952. Current operations for 1953 are higher than in the previous year. Some of the more important pulp and paper companies are Canadian International Paper Company Limited (a wholly-owned subsidiary of International Paper Company), Abitibi Power and Paper Company, Consolidated Paper Corporation, Fraser Companies Limited, Howard Smith Paper Company, Powell River Company, Price Brothers and St. Lawrence Corporation.

(7) **Miscellaneous Manufacturing:** This heading covers a number of broad categories of manufacturing of which iron and steel, chemicals, non-ferrous metals and transportation equipment are probably the most important. The change in output of both consumer goods and durable goods is shown in Table VI. Electric power sales have been included to show the extent of manufacturing development. In the utility industry, as a whole, $5.8 billion was expended during the years 1946-1953 of which $3.2 billion was on the part of privately-owned utilities.

Some of the more important companies operating in these industries are:

(a) **Iron and Steel:** In this industry more than $600 million has been expended since the end of the war. The largest amount of this was on the part of the leading steel company, The Steel Company of Canada. Other important companies in the iron and steel field are Page-Hersey Tubes, Dominion Foundries and Steel, Algoma Steel, Dominion Steel & Coal and Atlas Steel.

(b) **Chemicals:** There has been a considerable expansion in the chemical industry particularly in that branch concerned with petroleum and natural gas. During the period under consideration more than $400 million has been expended by Canadian chemical companies including Canadian Industries, Shawinigan Chemicals Limited (controlled by Shawinigan Water and Power Company), Canadian Chemical and Cellulose and Dominion Tar and Chemical. There are numerous other companies in the metallurgical field which also produce chemicals.

(c) **Other Heavy Industries:** A few of the other heavy industries which have under-gone a period of expansion are Canadian Car and Foundry, Canadian General Electric, Canadian Westinghouse, Cockshutt Farm Equipment, Ford Motors of Canada, Massey Harris and National Steel Car.

Continued from first page

As We See It

cations which we should be much inclined to challenge. At the same time, there is a good deal to be found in this document which the American public should take very seriously to heart.

Real Impediments

One comes very quickly to the conclusion that there are a number of very real impediments to the investment of private American capital abroad. It is at once obvious that our almost incredible generosity in the past few years in extending all sorts of aid to all sorts of people is not laying any basis for sound real investment of private capital. Plain, too, is the fact that although we ourselves are responsible for some of the major obstacles to private foreign investment, very real difficulties over which we have no control are likewise to be found. There is a ferment throughout the world which is hardly conducive to the investment of large funds abroad in long-term projects. This is particularly true since one element in this ferment is a settled tendency, if not determination, to soak the rich and thus get a living from the abilities, the energy and the work of others. The history of virtually all foreign investments during the past two decades or more screams to heaven of this state of affairs.

It is encouraging that the Department of Commerce in the new Washington regime appears to be aware of this situation—something that could not always be said of earlier managers of that department of government.

Says the Department:

"A greatly increased flow of private investment from this country cannot be expected in the next few years. . . . In some parts of the world, and especially in countries most in need of United States capital for development, political and economic conditions are highly unattractive to United States investors." Yet, as the Department is quick to point out, "many of these countries have material resources needed by United States industry, and they in turn need the capital goods and the skills United States industry can supply them to advance their own economic development." The Department is eternally right, so we hope, when it further remarks that "the American investor will decide for himself whether or not to invest abroad."

What we find encouraging in such comments as these is the fact that the Department of Commerce is fully aware that there are real obstacles to the investment abroad of private American capital, and that these obstacles are not merely the whims of silly or timid Americans who might be "persuaded" by official propaganda to enter where angels should fear to tread. It is not altogether clear whether there is an equally full understanding of the fact that no foreign investment of American capital can be "good for the economy" or for the country which is not made with reasonable assurance of soundness, but certainly it may be said that the evidence seems to suggest that there is now greater ability and greater willingness to face this simple truth than has been in evidence in Washington during the New Deal and the Fair Deal.

What Is the Remedy?

Recommendations for correcting these untoward conditions are less convincing than recognition of them, although some of the proposals are clearly of a constructive sort. We, for our part, should not, however, be inclined to be particularly critical of this failure to come forward with suggestions which promise early and far-reaching relief. There may not be any answers to many of these problems except those which the passage of considerable periods of time may bring. At bottom we are here dealing with trends of human thought and emotions. These things change only slowly "giving place to new." One thing is certain in any event: Only a basic change in attitude toward foreign capital, along with reasonable evidence that the change is to be enduring, can afford a really solid basis for a greatly accelerated flow of American funds abroad.

Yet here and there the Department in this latest study comes up with suggestions which are worthy. It remarks, for example, that "efforts should be made to increase the earning capacity of other countries through progressive and careful revisions of United States tariff and import policies and support of international efforts to remove barriers to trade." Re-examination of our tax laws, our anti-trust statutes, and of the practices of the Securities and Exchange Commission in order to determine whether unnecessary and unwise impediments are to be found in them is another proposal with which one is not likely to quarrel.

Efforts through diplomatic channels to induce changes which would tend to make foreign investment more attractive are, of course, to be desired, but one may well question whether they will accomplish a great deal in the absence of a basic change of heart in foreign lands. But how bring about this change of heart? The Department of Commerce does not have the answer—but who does?

Railroad Securities

Minneapolis, St. Paul & Sault Ste. Marie

There is a tendency among investors and speculators to think and speak of railroad securities as a group rather than as individual stocks. One often hears "The rails should be bought" or "The rails should be sold." Students of railroad securities, however, realize that no sound investment program can be based on such a thesis. Our whole economy is in a constant state of flux, and developments with respect to the traffic potential, operating costs, and other determinants of railroad earning power will have a varying impact on the individual railroad. While it is true that at times, and for limited periods, railroad stocks may appear to move together marketwise, the long-term market status of the individual stocks is determined on the basis of the performance of the individual railroad and not on industry considerations.

As a whole the railroads have been enjoying, and are still enjoying, an era of unprecedented prosperity. Increased dividend distributions have become commonplace. As usual, however, this generalization does not hold good for every individual railroad. There is a small minority of Class I carriers that has not been participating in this prosperity, whose earnings have shown an unfavorable trend, and where the dividend news has not been good. Prominent in this minority group has been the Minneapolis, St. Paul & Sault Ste. Marie. This road, commonly referred to as the "Soo Line," is controlled, through ownership of a little more than 50% of its stock, by Canadian Pacific. It emerged from bankruptcy just about nine years ago with a sharply reduced debt structure. In fact, the reorganization was so drastic that even the First Mortgage bonds were put on a contingent interest basis.

A reduction in debt and the virtual elimination of fixed charges naturally will improve the status of a railroad in one respect, in that the danger of recurring financial crises will be minimized. No change in the capitalization, however, will improve the operating performance or increase the earnings potential of the properties. Improvement in this respect can come only from an increase in the traffic base or a fundamental betterment of operating efficiency, or a combination of the two. On the record there is no evidence that Soo Line's status with respect either to traffic or operating efficiency has changed materially for the better.

Soo Line, operating in the Northwestern Region, is largely an agricultural property, with heavy dependency on wheat and other grain crops. On the average grain accounts for around 30% of all freight revenues. Lumber is next in importance, followed by iron ore. The company has been able to make money consistently since consummation of the reorganization but at no time in the postwar years has earning power been substantial. Share earnings hit a postwar peak of $2.74 in 1951, before sinking and other reserve funds. Dividends were instituted on the one class of stock outstanding with a payment of $2.50 a share in 1946, the bulk of which was on account of earnings accrued from the 1944 effective date of the plan to the date of actual issuance of the new securities. Subsequently the company paid $1.00 a share in each of the years 1948-1952.

Last year the company's revenues recorded some further improvement over the 1951 level but the transportation ratio was cut only nominally, to 39.2%, and maintenance outlays were materially higher. As a result, earnings on the stock dipped to $1.59 a share, the poorest showing since 1946. This unfavorable trend continued into the current year reflecting a sharp decline in grain loadings because of a combination of a short 1952 crop and retention of a large amount of wheat under loans. With earnings declining and cash needs of the property still heavy the dividend has been passed, with apparently no early prospect of its resumption. It now seems likely that earnings for the full year 1953 will not top $1.00 a share by any appreciable margin.

Edgar Christian With Stroud & Co., Inc.

PHILADELPHIA, Pa. — Edgar A. Christian has become associated with Stroud & Company, Inc., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange. Mr. Christian was formerly with Janney & Co. He is an officer of the Investment Traders Association of Philadelphia.

Edgar A. Christian

Two With Albert Theis

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Leland Boogher and Gordon L. Opfer have become associated with Theis & Sons Inc., 314 North Fourth Street, members of the Midwest Stock Exchange. Mr. Opfer was formerly with Friedman, Brokaw & Co.

Joins Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Gladys L. Barrett has joined the staff of Gibbs & Co., 507 Main Street.

With Inv. Service

(Special to The Financial Chronicle)

LEXINGTON, Neb.—Henry M. Beatty is now associated with Investment Service Corporation of Denver.

Not a Simple Matter

"As a corollary to the idea that it is necessary for the United States to liberalize its tariff policy to assist other nations economically, there is a responsibility resting on other nations to liberalize their foreign investment policies to create new output and markets for the general benefit.

* * *

"As part of the lack of emphasis on foreign fiscal policy, especially in unenlightened attitudes of officials in many countries, the importance of foreign investments has tended to be underestimated. This is a particular problem for the Western Hemisphere, where Guatemala is the latest case of a trend toward expropriations and seizures without reasonable compensation.

Warren Lee Pierson

"There has to be more action on tax incentives and protection of rights, not just talk about 'suitable atmospheres' to 'attract' foreign capital. Unless the full force of the United States Government is put behind international cooperation to make a reality of much-needed investments, nothing is going to happen. Seizure and expropriation are not the internal affair of single nations. They affect the interests of many."—Warren Lee Pierson, Chairman of the Board, Trans World Airlines.

Yes, these are real Problems!

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Our Trade Policy

ulation and capital are continually redirected where they can produce more of the things the consumer wants most. And indeed, as some industries decline or slow down in their rate of growth, others are always surging forward to take up the slack and maintain the rate of growth of the whole economy. This is the American way, and in spite of difficult readjustments in some industries and some localities it is in the long run, as we well know, by far the best system, serving the ultimate good of all our people.

Now, it is an interesting thing that there are people who will accept all that I have said until they reach the water's edge. At that point, when it is a question of overseas industries serving the American consumer, their whole line of reasoning changes. Apparently, though goods that come from Texas enrich us, goods that come from Belgium impoverish us. They will admit that the American consumer is king, that his word is law, but his writ no longer runs as law if he wants French wines or Danish cheese.

Hollywood must meet the competition of television without government subsidy. Burroughs Corporation must meet the competition of the National Cash Register Company, Remington Rand, Underwood Corporation and a host of others without a subsidy. Yet, we hear it argued by some, that industries with foreign competitors must be protected against pressures which would require competitive adjustments. Though it is agreed that the competitive process is at the root of our American free enterprise system, it is not to apply to certain firms because there the pressure comes not from within our borders but from abroad. On what grounds, we should ask, should any industry claim protection from this invigorating process?

There is an argument put forward to justify this discrimination. It was used in a recent letter from a Congressman to a Michigan manufacturer. ". . . a reduction in tariff barriers," he said, "will expose American firms to 'unfair competition.' A substantial part of the cost of manufacturing is for labor. . . . [If you had competition from foreign countries] where labor costs were about one-third of what your firm has to pay, I think you would regard the importation of such machines as unfair competition to you. The only purpose of a tariff, as I see it, is to put the foreign producer on a fair competitive basis with the American producer. If labor and other costs in foreign countries were substantially on a par with such costs in this country, it would be easier for me to see some logic in your argument." So much for that argument. And in different words you will hear it over and over again. It remains for us to take a good look at it.

The International Competitive Situation

First, let us admit that wage rates in the United States are higher than abroad. Having said that, it is now important to ask why. The answer is quite simple. The fact is, American wage earners get higher wages because they are more productive. With the aid of vast capital investment in plant and equipment, the American worker produces much more per man per hour than any worker in the world. American exports are evidence of the fact that high paid American labor can undersell the lowest paid overseas labor.

Now, it is of course true that some American industries cannot undersell their overseas competitors in particular product categories. And more important for them, even here at home they can compete only with tariff protection. Are we, however, to attempt to use tariffs to equialize unit costs the world over? This raises questions not only of foreign, but also of domestic economic policy. So far as the administration of tariffs is concerned, it would be clearly impossible to develop a tariff structure which varied with the varying wage rates and other factors in countries all over the world. And supposing it were possible, is it desirable?

Even within the United States various industries have varying rates of wages. And this is so because some industries are more productive than others. Within our borders this has an important effect. There is a tendency for workers to move from industries which are low paying, to the higher paying industries. This is a logical and natural result of our competitive enterprise system. And it is a good thing—it is one more incentive toward greater productivity from which the whole economy benefits. Those industries which are more successful are able to get the workers they need; and declining industries must become more productive, or find new products so that they can keep pace with the changing economy.

If, therefore, we accept the argument of a compensating tariff, we are in effect saying that manpower and capital should not be subject to this kind of competition. We are asserting that some industries should not be required to respond to the pressures of competition merely because that competition comes from abroad. Carried to its logical conclusion, the argument implies that American made buggies should be kept on the road regardless of the invention of a European automobile. It implies that any American firm or industry has a right to continue making a product indefinitely, irrespective of whether a better item preferred by the consumer is being made.

Yet, when pressed, those who argue in this way would, under other circumstances, accept the necessity for the movement of labor and capital in the United States, in spite of the temporary unemployment it causes. They would accept, in fact, a continuing dislocation far larger than would result from tariff reductions. New technological processes, geographic shifts in industry, changes in consumers' tastes—all these have been far more disturbing to our economy than tariff reductions. And those who argued for special protection or relief for firms or industries affected by these changes would get little support.

But here it might be said the case is different because the dollars spent, whether in a growing or declining industry, stay in the country. On the other hand, when the American consumer spends his dollars on Turkish figs, those dollars are lost to our industries. Again the argument is false. When we buy Turkish figs, Turkish exporters get dollars. Now they may wish to sell these dollars for Argentine pesos in order to buy meat, or for Australian pounds in order to buy wool, but whether they do or not, these dollars are eventually going to be spent again in the United States, by Turks or Argentines or Australians, on the products of American industries. The point is, however, they will be spent on the products of export industries and not protected industries.

Yet, this will be to the advantage of our economy. For taken as a whole, export industries, as I have explained, employ workers at higher wages than protected industries. Their labor costs per man are among the highest. Yet, they can still sell their products in foreign markets. They can sell them in spite of high priced labor, transport costs and often tariffs as well, because of a high output per man per hour. Thus, though the reduction of duties may force some industries to contract, other industries will expand proportionately. For the increase in imports will mean that our friends overseas will have more dollars to spend. They will spend these dollars on products of export industries which will expand proportionately and provide more high paying jobs. There will thus be a reallocation of resources, a readjustment of the beneficial kind that is occurring every day in our highly mobile economy.

It is important to remember that adjustments will be required whether or not tariffs are reduced. During the post-war period, our surplus of exports has been paid for by foreign aid to the extent of approximately $5 billion a year. With the tapering off of foreign aid, it is clear exports must be reduced to the extent that we do not permit the recipients of aid to earn more dollars in our market. Thus, something must give. Tariffs place a penalty on imports, but in doing so, they also penalize exports. Either we must take more imports or exports will be cut. Which alternative seems desirable to me will be evident from what I have said tonight.

Wants No Violent Shock to Protected Industries

In advocating a reduction in tariff barriers, I am not, of course, proposing giving a violent shock to the protected areas of our economy. We must consider how drastic the immediate effects of tariff reductions on existing industries would be. Investors have made investments in good faith and many depend for employment on companies which have grown up behind a tariff barrier. A specific program will be needed to deal with the problems of adjustment. We must admit that there are real problems here. Hence, time should be allowed for protected industries to adapt themselves to the greater rigors of competition. It is clear that the problem will be particularly acute in single-industry towns. In this case, it might be possible for some of our larger corporations to consider locating new plants in areas likely to be affected by tariff reductions. There is, of course, no simple prescription; we must employ various ways and means. Certainly, those of us who advocate tariff reductions in the national interest must give thought as to how the process of adjustment may be made as painless as possible.

In this connection, it is encouraging to note what can be done by a single firm by way of product diversification. Confronted by greater competition from Swiss watches, Mr. Shennan, President of Elgin National Watch Company, has actively developed such a program. Elgin has acquired companies, making compacts and which cases, watch bands, cuff links, and tie pins. They are doing highly technical defense work. They are producing diamond abrasive compounds, and they are working on an "electronic watch" without springs. The result has been Elgin's sales have jumped from $30 million in 1950 to $43 million in 1951 and to about $50 million last year.

It remains for me to touch on that other argument for freer trade, which I mentioned at the outset. Though I will mention it only briefly, it is nonetheless of crucial importance. I do not think it is possible to think very long about the issues that confront us without concluding that the greatest of all is that of creating a world order. We are today confronted by the challenge of a totalitarian system. In order to meet it we have undertaken to bring together the United States and the nations of Western Europe in a military alliance. This alliance is the foundation of the security of the United States. For we need only remind ourselves that if Western Europe were added to the Soviet Union and China, the Communist world would, in resources as well as in population, forge ahead of this country. I cannot put it more strongly than to say that our safety, and the future of freedom everywhere, will depend on our creative initiative in drawing together a free international community. General Eisenhower, General Ridgway, and now General Gruenther have been working in Europe to lay the necessary military foundation for that community. They will have failed unless concurrently the economic foundation is also laid.

At this moment, the Soviet Union is looking for opportunities to detach Western Europe from the United States. It may be that we may be offering them such an opportunity. If foreign aid is going to be cut off and we do not allow our allies to replace that aid with more trade in our market, then they must look elsewhere for the essential goods they formerly obtained from the dollar area. Some of them are available in the Communist world. If our friends cannot buy from here, they may have to turn to our enemies. Countries which depend for their life on buying and selling abroad cannot be expected to look too closely at the source from which the necessities of life come. Many free nations rely heavily on trade with Communist countries; we can ask them to forego that trade only if we offer alternative opportunities. Of course, we must expect our friends to do their part. The Europeans must increase their productivity, they must follow monetary policies to check inflation, and they must renew their marketing efforts to tempt away the dollar of the American consumer. But as the dominant partner, the initiative belongs to us.

For the strongest economic power, for the greatest creditor nation, for the leader of the free nations, protectionism is the utterly unrealistic policy. At this crucial moment of history we will if we now turn back to restrictions be squandering our opportunities and repudiating our responsibilities.

An organization is now being formed to bring before the President's Commission on Foreign Economic Policy, the facts of the national interest. It will be our first aim to identify across the country the interest of business, of farmers, of labor, of housewives, of citizens, in freer world trade. We will undoubtedly be calling upon you. For this is the time to make up your minds. Will the interests of a few small groups or those of the great mass of our people govern us? Will this nation get itself a trade policy adequate to the economic and political facts of our times? The outcome will depend on you and me.

Spingarn, Heine Admits

Spingarn, Heine & Co., 37 Wall Street, New York City, members of the New York Stock Exchange, will admit Marjorie S. Isaac to limited partnership on Oct. 1.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert D. Miles has been added to the staff of Kidder, Peabody & Co., 75 Federal Street.

With Abbott, Proctor

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Alexander A. Haughton, Jr., has become associated with Abbott, Proctor & Paine, Johnston Building.

Joins Carolina Secs.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Walter F. Lewis is with Carolina Securities Corporation, Insurance Building.

Reynolds Admits

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Sept. 15 will admit Charles A. Wiegard to partnership.

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. 13	§88.7	*90.5	95.2	100.8
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 13	§2,000,000	*2,040,000	2,146,000	2,093,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 29	6,620,700	6,616,700	6,556,750	6,284,450
Crude runs to stills—daily average (bbls.)	Aug. 29	¶7,234,000	7,109,000	7,024,000	7,110,000
Gasoline output (bbls.)	Aug. 29	24,848,000	25,182,000	24,783,000	23,936,000
Kerosene output (bbls.)	Aug. 29	2,241,000	2,334,000	2,309,000	2,664,000
Distillate fuel oil output (bbls.)	Aug. 29	10,397,000	10,324,000	9,774,000	10,253,000
Residual fuel oil output (bbls.)	Aug. 29	8,226,000	8,956,000	8,586,000	8,839,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 29	143,287,000	142,334,000	143,423,000	117,240,000
Kerosene (bbls.) at	Aug. 29	34,725,000	33,769,000	30,732,000	32,080,000
Distillate fuel oil (bbls.) at	Aug. 29	116,568,000	113,601,000	102,651,000	102,295,000
Residual fuel oil (bbls.) at	Aug. 29	50,912,000	50,844,000	49,547,000	52,296,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 29	818,461	817,431	793,754	727,360
Revenue freight received from connections (no. of cars)	Aug. 29	668,242	667,774	637,611	656,657
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Spet. 3	$273,524,000	$214,331,000	$326,510,000	$109,956,000
Private construction	Sept. 3	166,649,000	61,850,000	220,942,000	57,239,000
Public construction	Sept. 3	106,875,000	152,481,000	105,568,000	52,717,000
State and municipal	Sept. 3	74,087,000	131,784,000	84,622,000	41,567,000
Federal	Sept. 3	32,788,000	20,697,000	20,946,000	11,150,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 29	9,770,000	9,570,000	9,250,000	2,192,000
Pennsylvania anthracite (tons)	Aug. 29	600,000	550,000	589,000	154,000
Beehive coke (tons)	Aug. 29	95,600	*96,800	95,900	28,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 29	100	100	86	110
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 5	‡8,694,301	8,539,557	8,463,616	7,324,127
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 3	178	182	195	110
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 1	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Sept. 1	$56.76	$56.76	$56.76	$55.26
Scrap steel (per gross ton)	Sept. 1	$40.00	$41.67	$44.58	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 2	29.675c	29.700c	29.700c	24.200c
Export refinery at	Sept. 2	29.150c	29.525c	29.475c	34.950c
Straits tin (New York) at	Sept. 2	83.750c	83.000c	78.250c	121.500c
Lead (New York) at	Sept. 2	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Sept. 2	13.800c	13.800c	13.800c	15.800c
Zinc (East St. Louis) at	Sept. 2	10.500c	11.000c	10.730c	14.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 8	92.78	92.69	93.25	97.56
Average corporate	Sept. 8	103.30	103.64	104.14	109.79
Aaa	Sept. 8	107.62	107.98	109.06	114.27
Aa	Sept. 8	105.34	105.69	106.04	112.00
A	Sept. 8	102.96	103.13	102.96	109.24
Baa	Sept. 8	97.94	98.25	98.73	103.97
Railroad Group	Sept. 8	101.64	101.97	102.30	106.92
Public Utilities Group	Sept. 8	102.63	102.96	103.64	109.42
Industrials Group	Sept. 8	105.80	106.04	106.39	112.93
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 8	3.01	3.02	2.99	2.67
Average corporate	Sept. 8	3.55	3.53	3.50	3.18
Aaa	Sept. 8	3.30	3.28	3.22	2.94
Aa	Sept. 8	3.43	3.41	3.39	3.06
A	Sept. 8	3.57	3.56	3.57	3.21
Baa	Sept. 8	3.88	3.86	3.83	3.51
Railroad Group	Sept. 8	3.65	3.63	3.61	3.34
Public Utilities Group	Sept. 8	3.59	3.57	3.53	3.20
Industrials Group	Sept. 8	3.40	3.39	3.37	3.01
MOODY'S COMMODITY INDEX	Sept. 8	415.6	413.8	415.6	429.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 29	226,365	199,211	255,766	216,985
Production (tons)	Aug. 29	253,240	261,470	251,865	224,724
Percentage of activity	Aug. 29	98	97	95	90
Unfilled orders (tons) at end of period	Aug. 29	467,366	507,572	522,529	388,360
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 4	105.98	*106.00	106.32	109.43
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. 22	20,045	19,973	19,020	21,563
Number of shares	Aug. 22	567,457	574,818	531,325	612,336
Dollar value	Aug. 22	$26,657,998	$26,929,242	$23,920,924	$27,804,822
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 22	18,316	18,799	17,948	19,188
Customers' short sales	Aug. 22	161	129	133	126
Customers' other sales	Aug. 22	18,155	18,670	17,815	19,062
Number of shares—Total sales	Aug. 22	513,958	515,441	489,415	520,030
Customers' short sales	Aug. 22	5,897	4,343	4,870	4,749
Customers' other sales	Aug. 22	508,061	511,098	484,545	515,341
Dollar value	Aug. 22	$20,599,487	$20,665,963	$19,369,069	$21,622,815
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 22	175,970	157,770	153,220	150,740
Short sales	Aug. 22	------	------	------	------
Other sales	Aug. 22	175,970	157,770	153,220	150,740
Round-lot purchases by dealers—					
Number of shares	Aug. 22	279,774	215,880	198,000	233,480
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. 15	200,350	229,500	240,150	148,150
Other sales	Aug. 15	4,953,740	5,423,840	4,553,360	5,142,870
Total sales	Aug. 15	5,154,090	5,653,340	4,793,510	5,291,020
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 15	567,880	580,585	514,880	458,600
Short sales	Aug. 15	98,870	110,440	92,440	98,740
Other sales	Aug. 15	451,740	506,500	420,290	378,780
Total sales	Aug. 15	550,610	616,940	512,730	477,520
Other transactions initiated on the floor—					
Total purchases	Aug. 15	112,240	119,790	90,140	81,320
Short sales	Aug. 15	4,200	12,940	22,900	4,500
Other sales	Aug. 15	103,730	109,360	101,250	93,100
Total sales	Aug. 15	107,930	122,300	124,150	97,600
Other transactions initiated off the floor—					
Total purchases	Aug. 15	180,395	213,250	212,420	207,570
Short sales	Aug. 15	42,630	51,860	42,360	13,640
Other sales	Aug. 15	250,060	332,995	203,460	247,620
Total sales	Aug. 15	292,690	384,855	245,520	261,260
Total round-lot transactions for account of members—					
Total purchases	Aug. 15	860,515	913,625	817,440	747,490
Short sales	Aug. 15	145,700	175,240	157,700	116,880
Other sales	Aug. 15	805,530	948,855	725,000	719,500
Total sales	Aug. 15	951,230	1,124,095	882,700	836,380
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 1	110.3	110.7	110.7	111.7
Farm products	Sept. 1	95.9	97.5	97.0	107.9
Processed foods	Sept. 1	104.0	*105.1	105.2	110.7
Meats	Sept. 1	90.2	95.1	94.6	115.0
All commodities other than farm and foods	Sept. 1	114.7	114.7	114.8	112.8

*Revised figure. ¶Includes 620,000 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 higher record.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	9,284,000	*9,404,479	1,627,446
Shipments of steel products, including alloy and stainless (net tons)—Month of June	6,950,059	7,209,396	1,250,243
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of June: (000's omitted):			
All building construction	$873,409	$910,269	$881,778
New residential	468,552	484,361	479,162
New nonresidential	281,096	311,049	285,054
Additions, alterations, etc.	123,760	114,859	117,562
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. construction	$1,111,213	$1,262,992	$2,210,572
Private construction	604,680	663,704	503,431
Public construction	506,533	599,288	1,707,141
State and municipal	414,226	433,436	294,149
Federal	92,307	165,852	1,412,992
COAL EXPORTS (BUREAU OF MINES)—			
Month of June:			
U. S. exports of Pennsylvania anthracite (net tons)	323,425	271,256	359,816
To North and Central America (net tons)	312,393	258,667	290,851
To South America (net tons)	------	------	2,440
To Europe (net tons)	11,032	10,797	65,966
To Asia (net tons)	------	1,792	559
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Aug. 16	586,055	------	458,418
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Aug. 1	22,830,000	22,814,000	21,325,000
Spinning spindles active on Aug. 1	20,007,000	19,824,000	19,948,000
Active spindle hours (000's omitted) July	9,484,000	9,330,000	8,501,000
Active spindle hours per spindle in place July	379.4	466.4	380.0
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of July:			
Contracts closed (tonnage)—estimated	213,638	232,441	221,559
Shipments (tonnage)—estimated	222,016	274,587	138,267
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of July:			
Automatic gas water heater shipments (units)	173,000	178,300	131,300
Domestic gas range shipments (units)	137,700	169,300	154,200
Gas-fired furnaces (units)	38,300	46,200	40,700
Gas-operated boilers (units)	7,200	6,100	5,400
Gas-conversion burners (units)	18,700	20,700	18,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1935-39 = 100—Month of July:			
Seasonally adjusted	233	240	193
Unadjusted	235	241	194
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1935-39 average=100)	118.9	118.7	113.5
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of August:			
Copper (per pound)—			
Electrolytic domestic refinery	29.611c	29.687c	24.200c
Electrolytic export refinery	29.254c	29.482c	34.904c
Lead (per pound)—			
Common, New York	14.000c	13.683c	16.000c
Common, St. Louis	13.800c	13.483c	15.800c
‡‡Prompt, London	£95.363	£93.152	------
‡‡Three months, London	£89.597	£90.318	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	82.250c	83.250c
Silver, London (pence per ounce)	74.000d	74.000d	73.000d
Sterling Exchange (Check)	$2.81533	$2.81530	$2.78830
Zinc (per pound)—East St. Louis	10.982c	11.000c	14.061c
‡‡Zinc, London, prompt	£72.894	£73.323	------
‡‡Zinc, London, three months	£72.881	£73.530	------
Tin (per pound)—			
New York Straits	80.596c	81.577c	121.500c
§§New York, 99% min.	79.596c	80.577c	120.500c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$188.308	$190.462	$187.000
¶Antimony (per pound) (E. & M. J.)	37.970c	37.970c	42.470c
Antimony (per pound) bulk, Laredo	34.500c	34.500c	39.000c
Antimony (per pound) in cases, Laredo	35.000c	35.000c	39.500c
Platinum, refined (per ounce)	$92.615	$93.000	$90.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.07500
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$2.40000	$2.40000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.000c	19.923c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
Nickel	60.000c	60.000c	56.500c
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	$285.9	*$284.7	$268.1
Wage and salary receipts, total	199.3	*198.0	181.6
Total employer disbursement	195.5	*194.2	178.0
Commodity producing industries	89.7	*89.3	78.2
Distributing industries	52.1	*51.7	48.5
Service industries	23.9	*23.5	21.8
Government	33.6	*33.5	33.1
Less employee contributions for social insurance	4.1	4.0	3.9
Other labor income	5.1	5.1	4.7
Proprietors and rental income	49.8	*50.0	52.2
Personal interest income and dividends	22.3	22.1	20.9
Total transfer payments	13.5	13.5	12.6
Total nonagricultural income	268.7	*267.2	247.4
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of July:			
Production (barrels)	24,134,000	22,698,000	21,342,000
Shipments from mills (barrels)	26,480,000	26,400,000	25,084,000
Stocks (at end of month—barrels)	19,196,000	21,545,000	15,158,000
Capacity used	100%	97%	90%
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's ommitted):			
As of Aug. 31	$273,269,096	$272,732,350	$263,224,860
General fund balance	7,674,255	8,740,766	6,952,146
Net debt	$265,594,841	$263,991,584	$256,272,714
Computed annual rate	2.443%	2.438%	2.345%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotation. §Average of quotation on special shapes to platers. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation, per long ton, at morning session of London Metal Exchange.

Continued from first page

General Business Outlook

broad forces and changing economic relationships that he finds working in the nation as a whole, and he seeks to determine their general direction. It is impossible for him to take into account the infinite variety of special conditions affecting particular industries or particular geographical localities. The economist, therefore, is likely to go wrong because of his inability to weigh properly these local powers of resistance to general changes. In listening to an economist's discussion of the general business outlook, therefore, a businessman must be prepared to make a mental correction to take account of the conditions peculiar to his community or his own business.

II

A banker is like any other businessman in that he thinks of the outlook in terms of his own business and, indeed, of his own bank. This means that he thinks largely in terms of his prospects for gaining or losing deposits. Deposits, after all, are a bank's stock in trade. It is the level of deposits that determines the volume of earning assets that a bank can acquire, whether in the form of loans or of investments. To a banker, therefore, the business outlook is good or bad as it holds the promise of a rise in deposits or the threat of a run-off.

One important characteristic of deposits is that they tend to rise or fall with personal income. This is true not only on the national level but also in the case of smaller areas. In this Federal Reserve District, for example, the two states that experienced the largest and most consistent rise in income payments in the period since the end of World War II—Florida and Louisiana—were also the states that experienced the greatest growth in member bank deposits. In neither of these states did the 1949 recession bring about any decline in either curve. In Alabama, Georgia, and Mississippi, however, a decline in income payment in 1949 was accompanied by a decline in member bank deposits. In all states in this District, the rise in income payments since 1949 has gone hand in hand with an increase in member bank deposits.

Within states, similarly, the areas that have had the greatest gains in deposits percentagewise have been those in which exceptionally favorable agricultural conditions or industrial expansion have caused income payments to increase. Conversely, those having the least gain in deposits, or, perhaps, an actual decline, have been those in which exceptional circumstances caused income payments to decline.

Between 1951 and 1952, for example, member bank deposits increased by 10% or more in the whole of the state of Florida: in the Lafayette-Iberia, the Baton Rouge, and the Alexandria-Lake Charles areas in Louisiana; in the Mobile area of Alabama; in the Augusta area in Georgia; and in the Tri-Cities area (Kingsport, Johnson City, and Bristol) in Tennessee.

In most of these areas experiencing the greatest percentage growth in deposits between 1951 and 1952 the reasons are pretty well known. In the case of Florida, the rapid growth of population and the growing appeal of that state as a tourist area have been the most important factors. In the Augusta area, it was the construction of the hydrogen bomb plant just across the river. In the Mobile area, the increase in deposits was associated with increased employment in the shipyards, with other government activities, and with developments in the paper, chemical, and synthetic fiber industries. In the Tri-Cities area in Tennessee there was the construction of new industrial plants—a new ordnance plant and several chemical plants. The increase in deposits in the three Louisiana areas was the result of a continuation of the postwar boom that has been characterized by an agricultural income that has risen twice as fast as that for the district since 1945, and a great construction and industrial boom centered to some extent in oil and sulphur in the areas south and southwest of New Orleans.

In the areas where deposits declined or grew the least—in the Macon and South Georgia areas in that state, and in the Hattiesburg-Laurel-Meridian and the Natchez area in Mississippi—the causes are also to be found in local conditions resulting in declines in income payments. Bad weather and falling farm incomes were factors in all four cases. In Mississippi, the idling of two industrial plants in Laurel; the burning of a large planing mill; and the running out of a government contract with a garment plant were contributing factors.

Enough has been said to make the point that the gain or loss of deposits in any bank is tied to the rise or fall in income payments associated with the level of economic activity prevailing in the community or trade area served by that bank.

Not only do deposits in individual banks tend to vary directly with income payments in their respective communities or trade areas, but member bank deposits in the whole Southeast tend to rise or fall with those in the nation as a whole. This tendency for deposits in the Sixth Federal Reserve District to go up or down as those in the nation go up or down has been evident ever since the end of the first World War—but with one significant difference. The increase or decrease in the District has always been greater than that in the nation. If one considers the whole of the past 35 years, a 5% increase in deposits in the nation has meant, on the average, a 7% increase in the District; and a 5% decline in the nation has meant a 7% decline in the District.

This tendency for deposits to fluctuate more violently in the District than in the nation has contributed an additional risk factor to District banking and has made it more difficult for banks to make the best possible use of their resources. Further examination of the figures for the past 35 years, however, shows that over the years there has been a gradual weakening of this tendency. In other words, as time goes on, fluctuations in member bank deposits in this District are tending to conform more and more closely to those of the nation.

The reasons for this development are not entirely clear, but they are probably related to structural changes occurring within the District economy. The growing agricultural diversification and industrialization of the region are certainly among the more important of these changes. Growing Federal expenditures during and since World War II as compared with earlier years also have something to do with it. Finally, improved bank management, like that being fostered at this and similar conferences, resulting in the maintenance of high credit standards and more adequate safeguards for the interests of borrowers and depositors, has also undoubtedly played an important part in curbing the tendency for District deposits to outrun those in the nation both on the up and down sides. All this seems to indicate that fluctuations in bank deposits on a District-wide basis are coming to be less dependent upon purely regional economic factors and are becoming more dependent upon the general forces that cause deposits to rise or fall in the nation as a whole.

If bankers in the Sixth District, therefore, are to appraise correctly their prospects for gaining or losing deposits, it would seem wise for them to keep more than half an eye on the direction being taken by the general business situation—the thing I am supposed to be talking about today.

III

I am not a prophet nor the son of a prophet, so I am not going to tell you what the situation is going to be next week, next month, or next year. It is cheap and easy to make an enviable reputation for accuracy of prediction in this field.

Suppose, for example, that you are confronted with a 40-month business cycle—20 months up, and 20 months down. Suppose, too, that you are called upon to stand before your board of directors each month and predict the state of business in the following month. If you would then monotonously repeat, month after month, that the trends evident in the current month will continue unchanged next month, you would be right in every month except the one in which the trend changed — you would miss only one out of 40 predictions. Your predictions would score 97½% accurate — a better score than Drew Pearson claims for himself.

The only trouble is, you would have missed the critical point—the one month in which everyone was most interested. The real problem for an analyst, therefore, is not merely to be right most of the time, but to be right at the right time—that is, at the time when general business takes some new direction.

A great deal of time and ingenuity have been lavished on the construction of various statistical devices that would enable one to forecast such turning points, but none of them are fool-proof or have a very good reputation for accuracy. For what it may be worth, however, I would like to call your attention to the readings on one such barometer—one that we are experimenting with in my own shop. It is not our own invention, but was developed at the National Bureau of Economic Research. The Bureau, as nearly everyone knows, has made a more profound study of business cycle phenomena than any other organization in the country. They have studied in meticulous detail the cyclical behavior of something like 800 different statistical series as far back as dependable figures are available.

Out of these 800 series, eight were found to have peaks that pretty consistently led, or preceded, peaks in the general economy by some average number of months. A peak in the "new orders for durable goods" series, for example, ordinarily precedes a general peak by 6.9 months. On the other hand, the peak for the "new incorporations" series anticipates a general peak by some 2.5 months. And so on down through the eight different series. You can get a predicted general peak, therefore, from any one of these eight series by first determining that series' own peak (a more difficult job than it might seem at first blush) and then counting forward the number of months by which this series ordinarily leads a change in the general trend of business.

The "new orders for durables" series, for example, reached a peak in February of this year and forecasts a peak in general business in September. "New incorporations," on the other hand, reached its peak in March and thus yields a predicted general peak in June. Stock prices, to take another example, experienced a peak in January. Since this series anticipates a general peak by six months, it forecasts a general peak in July. Striking an average of all predicted peaks, we get a composite forecast of a downturn in business in May or early June of this year.

As a check on the forecasts of the eight series, the National Bureau uses another device—a supplementary group of measures derived from 15 other significant statistical series, in terms of the number of series presently expanding or contracting and the average length of time the series have been moving in the same direction. In a rough way, these measures indicate the strength and timing of the expansive or contractive forces in the general economy.

Sometimes the readings taken from the eight series and from these supplementary series do not agree. Early this spring, for example, the eight series were forecasting a down turn in general business in May, but nearly 75% of the supplementary series were expanding. This latter reading clearly cast some doubt on the eight-series forecast. When May figures became available, however, there was a dramatic change in the supplementary series—instead of 75% expanding, as was the case in March, over two-thirds were found to be contracting. The supplementary series had thus begun to corroborate the forecast of the eight series.

If, now, you were to ask me what the general business outlook is, I could give you an answer on the basis of the National Bureau's predictive series by saying that present indications are that we have now passed the crest of the biggest and longest boom in history, and that we are therefore in the first stages of a period of contraction. I would give this answer, however, with a strict warning that it could be easily upset by later figures. As I said earlier, no forecasting device is fool-proof or certain. After all, economic conditions are the result of human behavior, and there is nothing as unpredictable as a human being. Unaccountable hopes and fears sway them in their decisions, as do changes in taste and even in long-ingrained habits. The economic side of life, moreover, is not autonomous. It is profoundly affected by political and social forces that can not be imprisoned in any statistical formula. I am therefore giving you this answer merely for whatever you think it may be worth.

IV

You could not be blamed, of course, for shrugging off this prediction completely. Surface indications certainly lend little credence to it. Production, although not as high as it was several months ago, is still running at a very high level in terms of the Federal Reserve index of industrial production. Unemployment is at the irreducible minimum. The cost of living index is at the highest point in history. The expansion of plant and equipment by business is still running at fantastic rates. It is difficult to see any signs of a downturn in these figures.

Nevertheless, all is not sunshine. The farmers of the country, as we all know, are not in a particularly happy situation. Even since 1951 they have faced falling farm prices—prices that were declining partly because of increased production in the rest of the world, and partly because of artificially-stimulated production at home, a decline against which they were not completely protected by government price-support policies. On the other hand, farm costs tended to remain sticky or actually increased in many cases. Caught in this price-cost squeeze, agriculture has become a large area of weakness in the general economy. Whatever decline has been experienced in wholesale prices has been attributable largely to the fall in the prices of agricultural commodities. So serious is the agricultural situation, that in some quarters fears are openly expressed that it could easily involve the whole economy in a tailspin.

The question I wish to raise at this point is whether or not the non-agricultural segment of the economy is not getting itself into a situation analogous to that of agriculture. Is not industry, too, getting itself involved in a serious price-cost squeeze?

The effect of such a squeeze would made itself felt in business profits. Aggregate profits, of course, have been exceptionally high for years and they still are. Large aggregate profits, however, have been dependent upon an extremely high level of sales, and a high level of sales has been dependent upon a rapidly rising volume of consumer credit. The important relationship here is that between profits (after taxes) and the level of sales—i. e., the size of the profit margin.

In the depression period (1929-40), the average margin of profits after taxes for all manufacturing was 3.4 cents per dollar of sales. In 1941 this rose to 6.2 cents. As late as 1950 it was still 5.9 cents. In 1952, however, it had fallen to 3.8 cents—only a trifle above the depression level. In a number of important specific lines the margin in 1952 was actually as low or lower than in the depression period — food; tobacco; printing and publishing; chemicals; leather; non-ferrous metals; non-electric machinery; electrical machinery; non-automotive transportation; and the miscellaneous group.

Somewhat the same situation is found in wholesale and retail trade. In wholesale trade, the profit margin in the depression period was 0.7 cents per dollar of sales. It reached a high point in 1948 when it stood 2.0 cents. In 1952, however, it had fallen to 1.0 cent. In retail trade, the depression period margin was 0.7 cents, the high was reached with 2.6 cents in 1950, and by 1952 it was down to 1.7 cents.

Although the figures I have given for 1952 are the latest we have, and even they are estimates, the indications all seem to be that those for 1953 are following the same downward trend even though aggregate profits equal or better 1952. From what direction comes this downward pressure on profit margins?

For one thing, it comes (as in the case of agriculture) from overproduction and the consequent downward pressure on prices. Up until the present, however, industrial overproduction has been more potential than actual. The seemingly insatiable demand for houses, autos, and all kinds of consumers goods that had accumulated during the war and the years immediately after, plus the scare-buying experienced at the outbreak of the Korean War, seemed to tax our productive capacity to the limit. Consumers certainly could detect little pressure on prices. Nevertheless, the fact of the matter was that we had just about doubled our productive capacity since prewar, whereas production itself had increased by only some 50%. This meant that sooner or later, when the most urgent demands for housing and consumer durable goods had been met, the potential ability to produce more goods than the market can absorb at profitable prices, would usher in a period of sharp competition among producers. Sales would have to be maintained by more vigorous sales effort, and by direct or indirect reductions in price. We are in precisely this sort of a period now. It is quite unlikely that any general rise in prices for goods already in a state of oversupply will occur in the immediate future.

If, now, it is becoming more difficult if not impossible to maintain the current high dollar volume of sales by increasing prices, it is also becoming more difficult to do so by way of increasing the physical volume of goods sold. Just now consumers are becoming very choosey in their purchases and are exhibiting a growing tendency to save. A large part of current savings is now going into life insurance, which is up 20% over a year ago. This is a form of savings that is not likely to be withdrawn for conversion into consumers goods any time soon.

This does not mean, of course, that the market cannot be expanded any further. It does mean, though, that it can be expanded only at an increasing cost per dollar of sales—a further inroad on the profit margin.

But how about other costs? Even though sales costs may have to be increased to keep up volume, might not the profit margin be maintained or increased by reductions in other costs? Little relief can be expected from lower raw marterials costs. Most metals prices are bolstered by defense demands with which non-defense producers have to compete. The recent increase in the price of steel will undoubtedly be made to stick and most industrial users of steel will find themselves unable to pass the increase onto the consumers. Building materials costs are also rising, but the difficulty already being experienced in moving new as well as old houses makes it unlikely that this increase can be passed on to purchasers. It will result, rather, in shaving contractors' profits.

Wages are another cost that is difficult to reduce. Wage rates are fixed by union contract in many cases and are therefore very sticky. Even if wages could be cut drastically, however, it is quite likely that the cure would be worse than the disease. The immediate impact of wage reductions would be a decline in sales—the very thing that was to be avoided—unless prices were allowed to fall proportionately, which seems unlikely. Still more seriously, any substantial reduction in wages would immediately threaten the solvency of a great mass of consumers and the stability of the whole consumer credit structure — the basis upon which our present high level of activity rests to a frightening extent. Substantial wage reductions, therefore, would probably reduce sales not only directly, but also indirectly, through a decline in the volume of consumer credit outstanding. They would, in effect, not only strike at future profits, but would also imperil past profits on sales not fully consummated.

A third class of costs consists of capital expenses—and this is the most intractable of all. The expansion in productive capacity that has been made in recent years has been made at the highest cost in history. And much of it has been made by incurring a huge amount of debt (over half total private debt is corporate). This means, of course, that industrial break - even points are typically very high and that such concerns are very vulnerable to declines in sales.

This all boils down to one disquieting fact: As profit margins grow thinner, the dividing line between profit and loss gets closer; so let us not be misled by high aggregate profits. Aggregate profits can indeed remain good—can be good right up to the point where they suddenly vanish in a sea of red ink.

V

Allow me, now, to summarize by way of conclusion. I have pointed out that the forecasting device developed at the National Bureau is currently saying that we are in the first stages of a downturn in business. I alluded briefly to the agricultural situation, which is clearly bad despite artificial props. I suggested that the industrial sector of the economy may be on the verge of an analogous movement.

In agriculture, there is a state of overproduction resulting in falling prices. In industry, there has been a state of potential overproduction, now becoming actual in many lines, also putting a downward pressure on the prices of finished goods. Industry, like agriculture, is also caught in a situation in which costs remain high and intractable. There results a serious squeeze on profits, and profits are the motive force that drives the wheels of our whole economy. At nearly all points the condition of industry is coming to parallel that of agriculture.

There is one point, however, wherein industry differs. In the case of agriculture, there is a more or less inelastic demand to be counted on. People do have to eat and wear clothes. Purchases of industrial products—especially high-priced durable goods—on the contrary, are distinctly postponable. And these are precisely the lines in which there is now the greatest tendency to overproduction; in which there are the most burdensome inventories; in which competition is the sharpest; which are chiefly dependent upon consumer credit financing. Any tendency for the economy to slump can be expected to affect these lines first of all. From them the effects can then ramify into other lines of business.

Please do not misunderstand me—I am *not* saying that all this is *bound* to happen. All I am saying is that the situation is such that it *could* happen if present tendencies persist without offsetting changes. But there is always the possibility that such offsetting can appear. Perhaps the Government, by reviving old tricks or inventing new ones, can give the economy a continuous inflationary bias that may forestall any serious recessionary trends.

The moral to be drawn by bankers is fairly clear: Their attitude in such unsettled conditions should be one of extreme caution. They would be wise to keep a sharp eye on the general business situation, for not only does their chance for gaining or losing deposits depend upon the direction that business takes, but the very quality of their existing assets is affected favorably or unfavorably by it. Now is the time of all times for bankers to employ their resources only in the soundest types of loans and investments, and to sedulously curb any yearning to take a flier in speculative ventures for the sake of a quick and easy profit.

Continued from page 5

The State of Trade and Industry

willing to order more than they need or far in advance of the need. Neither will they pay premium prices nor accept material unsuited for their needs, it continues.

This increased selectivity in buying steel, declares this trade journal, is holding steel ingot production below capacity. Notably idle is ingot capacity that earlier in the year was used to make tonnage for conversion steel, a costly product.

With demand somewhat softer, mills are less inclined than they were to push equipment to the limit or do things that are uneconomical, and they are increasingly inclined to shut down facilities for repairs before a breakdown forces a stop, it states.

In the first and second quarters of this year, the national rate of steel ingot production was as high as 103% of capacity, but since May the rate has never exceeded 100%.

With steel demand easing, steel producers are intensifying sales efforts. If the easing goes far enough they'll note a geographical change in buying patterns. When a buyer can get all the steel he needs from the closest mill he'll concentrate his buying there and shift away from distant mills, notes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 88.7% of capacity for the week beginning Sept. 7, 1953, equivalent to 2,000,000 tons of ingots and steel for castings as against 90.5% (revised), or 2,040,000 tons a week ago. The decline in the current week is due mainly to the Labor Day holiday. For the like week a month ago the rate was 95.2% and production 2,146,000 tons. A year ago the weekly production was placed at 2,093,000 tons and the operating rate was 100.8% of capacity. The capacity this year is higher than last year.

Car Loadings Show Very Mild Rise in Latest Week

Loading of revenue freight for the week ended Aug. 29, 1953, increased 1,030 cars, or 0.1% above the preceding week, according to the Association of American Railroads.

Loadings totaled 818,461 cars, an increase of 91,101 cars, or 12.5% above the corresponding 1952 week, when coal loading was reduced by the coal miners' "Memorial Holiday," but a decrease of 11,020 cars, or 1.3% under the corresponding 1951 week.

Electric Output Tops New All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 5, 1953, was estimated at 8,694,301,000 kwh., a new all-time high record, according to the Edison Electric Institute. The previous high point at 8,539 557,000 kwh., was reached in the week ended Aug. 29, last.

This represented an increase of 154,744,000 kwh. above the previous week's all-time high.

The current total shows a gain of 1,370,174,000 kwh., or 18.7% over the comparable 1952 week and an increase of 1,898,931,000 kwh. over the like week of 1951.

U. S. Auto Output Drops 10.6% Under Preceding Week

Automotive output for the latest week dropped 10.6% below the preceding week's volume, due to the Labor Day holiday and continued lower schedules by many producers became more evident, states "Ward's Automotive Reports."

The industry turned out 108,358 cars last week, compared with 121,227 in the previous week. A year ago the weekly production was only 84,865.

United States truck production last week totaled 22,302 compared with 23,624 the previous week. A year ago truck output was 18,500 units.

Canadian companies made 6,139 cars last week, compared with 6,184 in the previous week and 6,020 in the like 1952 week. Truck production amounted to 1,199 units last week, against 1,831 the week before and 1,710 in the year earlier period.

Business Failures Fall Slightly

Commercial and industrial failures dipped to 178 in the week ended Sept. 3 from 182 in the preceding week, according to Dun & Bradstreet, Inc. Despite this small decline, casualties were considerably more numerous than a year ago when 110 occurred or in 1951 when they totalled 116. However, failures continued to be 15% below the prewar level of 209 in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more declined to 147 from 162 last week, but exceeded the 91 of this size recorded a year ago. An increase among small failures, those with liabilities under $5,000, raised their toll to 31 from 20 in the previous week and 19 in the corresponding week of 1952. Nineteen businesses failed with losses in excess of $100,000, three more than last week.

Wholesale Food Price Index Hits Lowest Point In Nine Weeks Period

The wholesale food price index, compiled by Dun & Bradstreet, Inc., dipped sharply last week, largely reflecting lower prices for live stock and meats. The index for Sept. 1 fell to $6.61, a drop of 1.8% from $6.73 the previous week, and the lowest level in nine weeks, or since June 30 when it stood at $6.54. The current figure compares with $6.70 a year ago, or a decline of 1.3%.

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

Wholesale Commodity Price Index Showed a Generally Lower Trend

The general level of prices moved downward last week, touching the lowest level in almost two months. The Dun & Bradstreet daily wholesale commodity price index finished at 280.56 on Sept. 1, as compared with 282.15 on Aug. 25, and 293.87 on the corresponding date a year ago.

Grain markets were irregular with wheat and corn registering further advances while rye and oats continued weak. There was a steady demand for corn as country offerings remained small and continued hot and dry weather over the belt made for bullish feeling in that cereal. The advance in wheat was influenced by strength in the cash market coupled with limited country offerings.

Producers were said to be placing large quantities of wheat in store or under loan.

Strength in the coffee market was maintained, reflecting spot supplies and heavy hedge-buying by roasters against a possible port tie-up when the dock workers' contract expires on Sept. 30. After reaching the highest August levels in five years, live hog quotations turned lower, influenced by sharp declines in wholesale fresh pork cuts.

The cattle market was irregular and weak; sheep and lambs closed sharply lower.

Although moving in a narrow range, spot cotton prices developed a slightly firmer tone the past week. Supporting factors included trade buying, mill price-fixing and expectations that entries into the government loan stocks will be heavy. There was increased activity in spot markets as trading in new crop cotton expanded. Sales in the ten markets were reported at 110,600 bales last week, compared with 105,700 in the preceding week, and 149,900 in the same week a year ago. CCC loan entries of 1953 crop cotton during the week ended Aug. 21 amounted to 14,400 bales, bringing the total for the season through that date to 30,700 bales. The mid-August parity price for cotton was announced at 34.35 cents a pound, up slightly from 34.22 a month ago, but still below the August 1952 figure of 34.47 cents.

Trade Volume Adversely Affected by Hot Weather and Near Approach of Labor Day

Intense heat in many sections of the country, coupled with the approach of the Labor Day holiday, deterred consumer buying somewhat in the period ended on Wednesday of last week.

The total dollar volume of retail trade dipped slightly and was slightly below a year ago.

The response to back-to-school promotions lagged; the later date of Labor Day this year was thought an important factor in the unfavorable year-to-year comparison.

Retail dollar volume in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the comparable 1952 level by the following percentages: New England and Southwest —2 to +2; East and Middle West —3 to +1; South —1 to —5 and Pacific Coast 0 to +4.

Wholesale order volume rose moderately in the week and continued to surpass the year-ago level by a comfortable margin.

There was an influx of buyers at many of the wholesale centers; both initial commitments and reorders for Fall merchandise were heavy; rush deliveries were often requested. Buyers remained noticeably selective.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Aug. 29, 1953, showed a decrease of 9% from the level of the preceding week. In the previous week and the one prior to that no change was reported from that of the similar weeks of 1952. For the four weeks ended Aug. 29, 1953, a decline of 2% was recorded. For the period Jan. 1 to Aug. 29, 1953, department stores' sales registered an increase of 4% above 1952.

Retail trade volume in New York succumbed to the extreme hot and humid weather the past week and brought a decline running to about 20% under the like period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 29, 1953, declined 13% from the like period of last year. In the preceding week a decrease of 2% was reported from that of the similar week of 1952, while for the four weeks ended Aug. 29, 1953, a decrease of 4% was reported. For the period Jan. 1 to Aug. 29, 1953, no change was registered from that of 1952.

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.

★ American Mollerizing Corp., Beverly Hills, Calif.
Aug. 28 (letter of notification) 39,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office** — 9489 Dayton Way, Beverly Hills, Calif. **Underwriter**—None.

Applied Science Corp. of Princeton
May 21 filed $750,000 of 6% guaranteed sinking fund 10-year debenture notes due April 30, 1963, of this company and 75,000 shares of common stock (par one cent) of Bradco, Inc., to be offered in units of $100 of notes and 10 shares of stock. **Price**—$105 per unit. **Proceeds**—For acquisition of stock of two companies, who will borrow the remainder to repay bank loans and for working capital. **Underwriter** — C. K. Pistell & Co., Inc., New York. **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.

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.

★ Beam (James B.) Distilling Co.
Sept. 4 (letter of notification) 500 shares of common stock (par $2). **Price**—At market. **Proceeds**—To M. H. Rieger, Vice-President. **Office**—35 E. Wacker Drive, Chicago, Ill. **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.

★ Carrier Corp., Syracuse, N. Y. (9/23)
Sept. 3 filed 169,473 shares of cumulative preferred stock (par $50) to be offered to common stockholders of record Sept. 22 on basis of one preferred share for each seven common shares held; rights to expire Oct. 7. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Harriman Ripley & Co., Inc., and Hemphill, Noyes & Co., both of New York.

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.
Aug. 11 filed 159,978 shares of common stock (no par), of which 139,978 shares are being 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 are offered to employees. **Price**—$11.25 per share. **Proceeds**—To retire bank loans and for construction program. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. (jointly).

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) being 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**—To be received up to 11 a.m. (EDT) on Sept. 15 with public offering scheduled for Sept. 17.

Duquesne Light Co. (9/17)
Aug. 19 filed 100,000 shares of preferred stock (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Bids**—To be received up to 11 a.m. (EDT) 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, 1983. **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**—to be received up to 11 a.m. (EDT) on Sept. 22, with public offering on Sept. 24.

Eagle Super Markets, Inc., Moline, Ill.
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital.

NEW ISSUE CALENDAR

September 10 (Thursday)
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)
Chicago, Indianapolis & Louisville Ry. **Eqp. Tr. Ctfs.**
(Bids noon CDT) $900,000
Duquesne Light Co.----Common
(Bids 11 a.m. EDT) 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
International Correspondence Schools World Ltd., Inc.----Common
(Bids 11 a.m. EDT)
Minerals Processing Co.----Common
(Allen E. Beers Co.) $296,000
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
Southern Union Gas Co.----Common
(Offering to stockholders—no underwriting)
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 11 a.m. EDT) $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)
Pacific Gas & Electric Co.----Common
(Offering to stockholders—underwriter may be Blyth & Co., Inc.) 1,946,823 shares

September 22 (Tuesday)
Duquesne Light Co.----Bonds
(Bids 11 a.m. EDT) $12,000,000
Northern Natural Gas Co.----Preferred
(Blyth & Co., Inc.) $25,000,000
Working Capital, Inc.----Common
(Offering by company—no underwriting) 148,700 shares

September 23 (Wednesday)
Carrier Corp.----Preferred
(Offering to stockholders—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co.) $8,473,650
Greer Hydraulics, Inc.----Debentures
(Burnham & Co.) $1,500,000

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 28 (Monday)
Worcester Gas Light Co.----Bonds
(Bids noon EST) $3,000,000

September 29 (Tuesday)
General Controls Co.----Common
(Dean Witter & Co.) 100,000 shares
Hawaii (Territory of)----Bonds
(Bids to be invited) $5,500,000
Indiana & Michigan Electric Co.----Bonds
(Bids 11 a.m. EST) $15,000,000

October 1 (Thursday)
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

Office—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Safety Bldg., Rock Island, Ill.

★ **El Dorado-Plumbago Mines Consolidated, Inc.**
Sept. 4 (letter of notification) 50,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment and working capital. **Office**—211 Octavia St., San Francisco, Calif. **Underwriter**—None.

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.

Fallon Gas Corp., Denver, Colo.
June 25 (letter of notification) 3,616,000 shares of Class A common stock. **Price**—At par (five cents per share). **Proceeds**—For drilling wells. **Office**—528 E and C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ **Gem State Consolidated Mines, Inc.**
Sept. 9 (letter of notification) 300,000 shares of common stock (par 5 cents). **Price**—50 cents per share. **Proceeds**—For further development of mining properties. **Office**—3620 Sycamore Drive, Boise, Idaho. **Underwriter** — None.

★ **General Controls Co., Glendale, Calif. (9/29)**
Sept. 8 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

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.

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.

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. (9/23)**
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.

★ **Growth Industry Shares, Inc., Chicago, Ill.**
Sept. 3 filed 20,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

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.

★ **Kurt (Joel) & Co., Atlanta, Ga.**
Aug. 28 (letter of notification) 30,000 shares of class A non-voting common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—308 Glenn Bldg., Atlanta, Ga. **Underwriter**—None.

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.

★ **Indian Creek Uranium & Oil Corp.**
Sept. 8 (letter of notification) 500,000 shares of capital stock. **Price**—10 cents per share. **Proceeds**—For development of mining claims. **Office**—2320 S. Main St., Salt Lake City, Utah. **Underwriter**—None.

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.

Inland Western Loan & Finance Corp., Phoenix, Ariz.
July 2 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered to present and future holders of Special Participating Life Insurance Contracts issued by Commercial Life Insurance Co. of Phoenix. **Price**—$1.50 per share. **Proceeds** — To develop and expand company's loan and finance business. **Underwriter**—None. An additional 300,000 shares have been and are being offered for sale in Arizona at $1 per share to holders of Commercial's special participating contracts, the proceeds of which are to be used to activate the company in the loan and finance business.

● **International Telephone & Telegraph Co.**
June 26 filed $35,883,300 of 20-year convertible debentures due Aug. 1, 1973, to be offered for subscription by stockholders at rate of $100 of debentures for each 20 shares of capital stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., New York. Statement withdrawn Sept. 9.

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.

Marco Industries, Inc., Depew, N. Y.
Aug. 7 (letter of notification) 24,990 shares of common stock (par $5) to be offered pro rata for subscription by common stockholders. **Price**—$12 per share. **Proceeds**—To pay off loans on machinery and equipment and certain non-trade accounts payable and for working capital. **Business**—Manufactures fractional horsepower electric motors. **Office**—786 Terrace Blvd., Depew, N. Y. **Underwriter**—None.

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**—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.

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.

● **Minerals Processing Co., Franklin, N. C. (9/15)**
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.

★ **Mississippi Power Co. (10/6)**
Sept. 4 filed $4,000,000 of first mortgage bonds due Oct. 1, 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 St., New York 5, N. Y.

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.

★ **National Dairy Products Corp., New York**
Sept. 1 filed 110,530 shares of common stock (par $10) to be offered to certain key employees of the corporation and its subsidiaries pursuant to options granted under the Employees' Stock Option Plan. **Price**—$51.95 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **New England Gas & Electric Ass'n (10/1)**
Sept. 2 filed an unspecified number of common shares of beneficial interest (par $8) to be offered for subscription by common stockholders of record Sept. 29, 1953, on the basis of one new share for each 10 shares held (with an oversubscription privilege) (1,949,160 shares were outstanding June 30, 1953, but conversions of preferred stock prior to the record date may increase the then outstanding shares). Rights will expire on Oct. 16. Subscription rights may be mailed on Oct. 1. **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans, and increase investments in subsidiary, including Worcester Gas Light Co. **Dealer-Manager**—The First Boston Corp., 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.

★ **Northern Illinois Corp., DeKalb, Ill.**
Sept. 4 (letter of notification) 12,500 shares of $1.50 cumulative preferred stock (no par), to be offered to certain company stockholders. **Price**—$24 per share. **Proceeds**—For working capital. **Office**—112 E. Locust St., DeKalb, Ill. **Underwriter**—None.

★ **Northern Natural Gas Co., Omaha, Neb. (9/22)**
Sept. 2 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Overland Oil, Inc., Denver, Colo.
June 10 filed 600,000 shares of common stock (par 10¢) to be offered for subscription by stockholders (except the original incorporators) at rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Owners Discount Corp., Elkhart, Ind.**
Aug. 31 (letter of notification) $200,000 of 5¾% sinking fund debentures due Sept. 1, 1963. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—For working capital. **Office**—416-418 S. Main St., Elkhart, Ind. **Underwriter**—City Securities Corp., Indianapolis, Ind.

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 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 Hotel, Inc., Seattle, Wash.**
Sept. 1 (letter of notification) 60,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To purchase hotels. **Office**—New Washington Hotel Bldg., Seattle, Wash. **Underwriter**—None.

Pacific Telephone & Telegraph Co. (9/15)
Aug. 14 filed $50,000,000 of 31-year debentures due Sept. 15, 1984. **Proceeds**—To reduce bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on Sept. 15 at 195 Broadway, New York, N. Y.

Pedlow-Nease Chemical Co., Inc.
July 9 (letter of notification) 2,000 shares of capital stock (no par) to be offered to stockholders of record June 29 at rate of one new share for each five shares

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held. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Lock Haven, Pa. **Underwriter**—None.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices. It is contemplated plan will be placed in effect on or about Aug. 1, 1953.

Planter's Peat Corp., Coral Gables, Fla.
Aug. 6 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2.50) and 100,000 shares of common stock (par 50 cents) to be offered in units of one share of each class of stock. **Price**—$2.50 per unit. **Proceeds**—To liquidate liabilities and for working capital. Office—220 Miracle Mile, Coral Gables, Fla. **Business**—To process peat for fertilizer. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

Powdercraft Corp., Spartanburg, S. C.
June 3 (letter of notification) 5,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes machine parts. **Office** 746 Hayne St., Spartanburg, S. C. **Underwriter**—Calhoun & Co., Spartanburg, S. C.

★ **Professional Securities Corp., Kansas City, Mo.**
Aug. 31 (letter of notification) 665 shares of class A voting common stock (par $100) and 1,000 shares of class B non-voting common stock (par $100). **Price**—$106.63 per share. **Proceeds**—For working capital. **Office** 1350 Wooswether Road, Kansas City, Mo. **Underwriter**—None.

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**—To be received up to noon (EDT) on Sept. 14 at company's office in Boston, Mass.

Remington Corp., Auburn, N. Y.
Aug. 19 (letter of notification) up to 7,000 shares of common stock (par $1) to be offered to employees. **Price** $3.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Ridley Mines Holding Co., Grafton, N. D.
June 1 filed 120,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Ronci Mfg. Co., Inc., Providence, R. I.**
Sept. 8 (letter of notification) $300,000 of 6% series A convertible debentures (convertible into class B common stock). **Price**—At par (in denominations of $100, $500, $1,000, $5,000 and $10,000). **Proceeds**—For working capital. **Office**—44 Cross St., Providence, R. I. **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**—Indefintely postponed.

★ **Segal Lock & Hardware Co., Inc., N. Y.**
Sept. 4 filed $975,000 of five-year 6% convertible sinking fund debentures due Oct. 1, 1958, to be offered to common stockholders at rate of one $100 debenture for each 250 shares of common stock held. **Price**—100% of principal amount. **Proceeds**—To repay loans and for working capital. **Underwriter**—None.

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.
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.

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.

● **Southern Union Gas Co. (9/16-17)**
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 indebtedness, 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**—Expected at $8 per share. **Proceeds**—To selling stockholders. **Office**—Los Angeles, Calif. **Underwriter**—Sutro & Co., San Francisco and Los Angeles, Calif.

★ **United Funds, Inc., Kansas City, Mo.**
Sept. 8 filed 1,000,000 shares of United Income Fund Series, 1,000,000 shares of United Science Fund Series, 100,000 shares of United Accumulative Fund Series, $6,000,000 of Periodic Investment Plans and 500,000 shares of United Accumulative Fund Series underlying the Investment Plans. **Underwriter**—None.

United Mining & Leasing Corp.
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. **Office**—Central City, Colo. **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.

Universal Finance Corp., Los Angeles, Calif.
July 27 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For working capital. **Office**—3460 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company, Buffalo, N. Y.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering—Postponed indefinitely.**

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.

● **Worcester Gas Light Co. (9/28)**
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**—Expected to be received up to noon (EST) on Sept. 28 at company's office in Cambridge, Mass.

★ **Working Capital, Inc. (9/22)**
Sept. 4 (letter of notification) 148,700 shares of common stock (par five cents) and 74,350 common stock purchase warrants to be offered in units of 100 shares of stock and 50 warrants (each warrant will entitle the holder to purchase one share of stock at $1.25 per share). **Price**—$125 per unit. **Proceeds**—To make loans. **Office**—55 Hilton Ave., Garden City, L. I., N. Y. **Underwriter**—None.

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.

★ Atlanta Gas Light Co.
Sept. 3 Halsey, Stuart & Co. Inc. filed a petition with the Georgia P. S. Commission for intervention in the application of this company to sell $7,000,000 of 4¼% first mortgage bonds due 1978 to a group of insurance cos.

Atlantic City Electric Co.
Aug. 17, B. L. England, President, indicated that the company early next year expects to raise $14,000,000 to $16,000,000 through the sale of bonds and both preferred and common stock. Proceeds—To repay bank loan and for new construction.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. Proceeds—To be used to help pay for a $100,000,000 construction program for 1953. Underwriters—Smith, Barney & Co. may head group.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Bates Manufacturing Co.
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. Proceeds—To purchase properties in the South. Underwriters—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. Plan Opposed—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. Proceeds — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. Underwriters—Blair, Rollins & Co. Inc. and The First California Co.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central-Penn National Bank of 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.

★ Chicago, Indianapolis & Louisville Ry. (9/15)
Bids will be received by the company up to noon (CDT) on Sept. 15 at its office at 608 So. Dearborn St., Chicago 5, Ill., for the purchase from it of $900,000 equipment trust certificates to be dated Oct. 15, 1953 and to mature serially in 15 equal annual instalments from Oct. 15, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.

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 voted to create an issue of 200,000 shares of preferred stock (par $10), 100,000 shares of which are expected to 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).

★ Florida Power Corp.
Sept. 2 it was reported company plans to offer to its common stockholders the right to subscribe for an additional 210,000 shares of common stock on the basis of one new share for each 10 shares held (with a 14-day standby). Underwriters—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. Registration—Expected in the near future.

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. Stockholders to vote Sept. 29. 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.

★International Correspondence Schools World Ltd., Inc. (9/15)
Bids will be received up to 11 a.m. (EDT) on Sept. 15 at the State House, Trenton, N. J., for the purchase from The State of New Jersey of 5,481 shares of capital stock (par $2.50) of this company.

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.

★ Mountain States Power Co.
Sept. 4 it was announced FPC, following objections filed by Halsey, Stuart & Co. Inc., has advised the company it will have to file again within 60 days for permission to issue and sell privately an issue of $8,000,000 first mortgage 4¼% bonds, with revised terms, if it still wishes to sell them without competitive bidding.

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 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.

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 t

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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; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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.

★ Sky Ride Helicopter Corp.
Sept. 3 it was announced that the company contemplates issue and sale of 1,490,000 additional shares of capital stock (no par), following completion of present offering of 10,000 shares at $2 per share. **Offering**—Expected in November or December. **Office**—1705—38th St., S. E., Washington, D. C.

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 Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders, White Weld & Co. and Kidder, Peabody & Co. (jointyl); W. C. Langley & Co. and Paine, Webber, Jackson & Curtis (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Southwestern Public Service Co.
Aug. 6 it was announced company plans to issue and sell about $20,000,000 of securities (to consist of around $12,000,000 bonds; from $2,000,000 to $3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-13 basis). **Underwriter**—Dillon, Read & Co., New York. **Offering**—Expected in January or February 1954.

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

● United Gas Corp.
Sept. 3 it was reported company plans to issue and sell $25,000,000 of debentures due 1973. **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 in October.

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.

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

With a goodly part of next week's new business taking the form of negotiated deals, there is plenty of fancy footwork going on in underwriting and dealer circles at the moment.

When a situation such as that now impending develops, the tendency on the part of dealers is to endeavor to stay in the groups which are handling the negotiated operations rather than with those engaged in bidding for new securities.

The answer is not hard to find. When a given piece of business is handled through negotiation between bankers and the issuer, resulting conditions are invariably more conducive to a better margin of profit on the operation.

Naturally, circumstances alter situations as for example in the case of Pacific Gas & Electric Co.'s huge impending stock offering, 1,946,829 shares of common, which will take the form of a "standby." In this case, Coast firms wishing to go in heavily on the local deal will naturally cutback substantially on others, even negotiated undertakings.

The forthcoming calendar is regarded, in banking circles, as assuming proportions likely to "cramp the style" of many people, but nevertheless as a situation which will work out all right.

While the volume of new issues looming next week is very substantial, and welcome, after the summer drought, it is argued that underwriting capital is ample to take care of the situation without any embarrassment.

Household Finance Debentures

With investors getting a choice of maturities, it was reported that preliminary inquiry for today's offering of $15,000,000 debentures for Household Finance Corp., indicated broad interest.

The company has split the business into $15,000,000 debentures of five-year maturity and $10,000,000 to run for 15 years. New securities to run for this length of time have not been prominent recently, thus affording investors special opportunities.

Proceeds will be applied by the issuer to the liquidation of outstanding bank loans.

New Name Offered

Next week will provide security buyers with something of a new name when Stauffer Chemical Co. comes into the market for funds to retire bank loans and provide new working capital.

Bankers on Wednesday will bring out $15,000,000 of the firm's 20-year debentures, plus 325,000 shares of common stock, giving potential buyers a choice of debt security or equity.

The common stock offering includes a block of 15,000 shares for the account of selling stockholders from which the company naturally will not realize any proceeds.

Back on the Job

Portfolio men for large institutional security buyers are back at their desks now that the vacation season has ended. But they had little to do this week except to look over the remnants of a few recent issues and a handful of current offerings.

Their work will be cut out for them next week when the new issue market really starts the fall season with considerable flourish with close to 300 million dollars in corporate offerings slated. Investment bankers' recent complaint has been that the absence of many of these individuals, making it impossible to get necessary quorums, was really back of the slow reception accorded some securities.

While Southern Bell's brisk sale evidently did not light a roaring fire under Southern California Edison's recent issue and that of Duke Power, it did bring in some buying with the result that these offerings are now reported around 70% sold.

M. S. Gerber, Inc. Offer Northland Oils Stock

Offering of 200,000 shares of capital stock of Northland Oils Limited and subscription warrants for 200,000 additional shares is being made today (Sept. 10), as a speculation by M. S. Gerber, Inc. of New York City. The stock is priced at $75 per unit consisting of 100 shares and subscription warrant covering 100 shares. Each subscription warrant entitles the holder to subscribe for an additional 100 shares of capital stock until Aug. 1, 1955 at 75 cents a share.

Proceeds from the sale of these shares will be used together with present working capital to carry out the company's development program.

Northland Oils Limited was incorporated in 1949 to engage in the exploration and development of oil and gas lands in the province of Alberta, and for the production and sale of oil and other hydrocarbon products.

The company's balance sheet at March 31, 1953 shows total current assets of $361,531 and total current liabilities of $47,916, a ratio of 7.5 to 1.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The September refunding was taken in stride by the money markets and the fact that it was so well received was a source of gratification to all concerned, especially the Treasury. Although the turn-ins for the one-year 2⅝% obligations were in excess of those for the 3½-year 2⅞s, the showing made by the longer maturity in the early fall refunding was greater than had been expected when the terms were first made public. Forty percent of the September maturity went into the 3½-year 2⅞s ($2,988,000,000) and the balance ($4,717,000,000) were exchanged for the 1-year 2⅝s. The changed conditions of the money markets, along with the opinions that a further ease in interest rates would not be surprising, tended to increase the exchanges from the maturing September 2s into the 2⅞% due 3/15/57. If one holds the opinion that lower interest rates are likely in the future, then the 2⅞s due 1957 should be a very desirable obligation because of its higher coupon rate.

Aside from the refunding, another moving force in the government market is the switch operations which are being done mainly for tax purposes. The near-term market, however, continues to be the most active and with the largest volume.

Issue Extremely Attractive

The very good reception which was given the 2⅞% issue in the refunding operation had a favorable effect upon the money markets. It seems as though many institutions that were owners of the September 2s believed they had a sufficient amount of short-term issues to give them the liquidity they needed and as a result they turned in a good part of the maturing obligations for the 2⅞s due 3/15/57. To be sure the intermediate-term issue with a 3½-year maturity and a 2⅞% rate was considered to have been on the generous side because it had been believed that a 3¾-year or a 4-year 2⅞% security could have been used in the refunding operation.

On the other hand, it seems as though a feeling is developing in the money markets that rates for short-term and intermediate-term issues will tend to ease in the not too distant future. If the peak has been witnessed in the nearer-term rates then the recently offered 2⅞s should turn out to be a very satisfactory replacement for the maturing 2s.

Further Reserves Cut Expected

It also seems to be evident that not a few of the more experienced followers of the money markets are of the opinion that a further reduction in reserve requirements would not be unexpected. It is being pointed out that economic conditions are showing signs of some deterioration, and this along with the ending of the Korean conflict and developments in the international situation might result in a change in the domestic situation that could bring about further changes in the monetary policy. It is believed that the ending of the boom, which many are of the opinion has already taken place, would have an influence upon the credit policies of the monetary authorities. A decline in business, it seems, will most certainly not bring about a hardening of interest rates unless there is a desire to accentuate the decline which has not been the policy of any Administration that has been in power in Washington.

Long Bonds Under Pressure

Although there appears to be a growing amount of optimism as far as short-term and intermediate-term rates are concerned, it seems as though the outlook for long-term rates is still clouded. The reasons given for the lack of definiteness as far as the trend of the most distant rate is concerned are the continued large supply of corporate obligations along with the heavy offerings of state and municipal obligations. Private placements are also expected to be on the ample side for a while yet. Also it is believed that the Treasury if and when the opportunity presents itself will refund short maturities into long ones and the coupon rate, it is believed, would be of secondary importance to the task of getting the maturity date out into the long distant future.

Discount Issues in Demand

With the short and intermediate term issues the favored ones at this time, it follows that many more institutions are showing an interest in the discount obligations that mature in the next three to five years. Although the 2⅞s due 3/15/57 have taken some of the glamor away from these securities, there is, nonetheless, a very stable and at times a sizable demand for the obligations that can still be bought at less than 100.

Switches and swops continue to be one of the main factors as far as much of the volume and activity in the market as a whole is concerned. Tax loss exchanges are not showing any let-up and with earnings of the banking institutions on the favorable side, there is not likely to be much change in these operations for some time yet.

The longer-term maturities, such as the 3¼s and the 2½s, continue to be in what is termed a "stand off" area because the buyers and sellers are about in balance. State funds are still the main buyers of these securities.

Life Companies Hold Over $13 Billion of Utility Securities

Institute of Life Insurance points out policy holders receive $400 millions annually from this investment. Estimates two-thirds of utilities' funded debt owned by life companies.

The nation's life insurance companies now have more than $13,000,000,000 of their policy funds invested in public utility securities and the earnings on behalf of policyholders from this investment now exceed $400,000,000 annually, according to the Institute of Life Insurance.

Holgar J. Johnson

"This extensive use of life insurance dollars to supply capital funds for the public utility plants of this continent serves as a two-way street," Holgar J. Johnson, Institute President, said in commenting on the figures. "The public utilities of the United States have two-thirds of their funded debt with the life insurance companies. At the same time, the earnings on these investments help to defray the cost of insurance."

At mid-year, the total investment of all U. S. life insurance companies in public utility securities was $13,169,000,000, of which $11,907,000,000 was in bonds and $869,000,000 in stocks, common or preferred, of U. S. public utilities; and $393,000,000 was in the securities of foreign public utilities, chiefly Canadian. These figures do not include the more than $250,000,000 committed recently by the life insurance companies for helping to meet the capital needs of the Ohio Valley Electric Corporation. These funds are part of the financing for a new power plant to be built near Portsmouth, Ohio, to serve a new atomic diffusion plant near there.

The life companies' investment in public utility securities now averages about $150 per policyholder and accounts for more than one-sixth of the total assets of the life insurance business.

Life insurance companies have been investing in public utility securities for more than 80 years. Over 30 years ago, these investments already accounted for a large share of the capital fund requirements of the utilities. But in dollar terms the great expansion has been in the years since the end of World War II. The life insurance investment in utilities has risen more than $7,000,000,000 since 1945.

All types of utilities have had financing from the life insurance dollars over the years. Fifty years ago, the major part of the life insurance public utility portfolio was in street railways. As the expansion of electric light and power swept the country, these companies became the major channel of investment in utility securities. When natural gas moved out over the country following the end of World War II, life insurance dollars aided materially in the financing; more than $1,000,000,000 was put into the securities of pipeline concerns by the life companies between 1945 and 1950.

While the increase in utility investments has been at a rapid rate for the country as a whole, it has been especially marked in some parts of the country. The life insurance investment in utilities quadrupled in the South Central States and tripled in the Mountain and Pacific States in the past 10 years. About one-fourth of all life insurance investments in New England and Mountain States are public utility securities.

It is estimated that the life insurance investment in all utilities represents the capital required to provide some 400,000 of the jobs in the industry. In addition, many more thousands of jobs are set up and maintained in other industries serving the expanded facilities of the utilities.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is a story behind the Treasury's reticence to talk about any of the specifics of overall tax revision proposals to be offered to Congress next year, and that story portends a measure of hope for success of any revision bill, however limited, which may be offered.

The story is this: The Treasury is working hand in glove with Chairman Dan Reed of the House Ways and Means Committee, with majority members of that Committee, and with the staff of the Congressional Joint Committee on Internal Revenue Taxation. The latter, under the direction of Colin F. Stam, comprises the technical staff advising the Ways and Means Committee and the Senate Finance Committee.

All of the approach toward overall revision is proceeding on the hope that the bill which is offered to Congress next year on the subject of overall revision will be a joint endeavor of the Eisenhower Administration and the GOP leadership of Congress, as well as the joint effort of the Treasury and the taxing Committees of Congress.

Until this intelligence was revealed, it was taken for granted that there would for certain be two overall tax bills offered to Congress next year; one to come from the Administration, the other to come from the Ways and Means Committee.

Every effort is being bent to prevent a two-bill approach, but instead to unite both the Congressional leaders and the Administration on whatever tax legislation, overall revision or otherwise, which is finally introduced formally some time after Congress meets in January.

Reed Would Risk Revenue Loss

IF the Treasury is willing to make considerable concessions to go along with Chairman Dan Reed of W&M, then any joint tax bill which would be offered in January would carry a greater prospect for a measure of tax relief.

Mr. Reed is known to believe, a la Andy Mellon philosophy, that the government can afford to take the risk of a short-run loss in revenues for the sake of a greater net profit level which, with expansion, will in time broaden the revenue base to the point where even with diminishing rates, the Treasury eventually would reap more in tax receipts.

The Treasury very obviously under Mr. Humphrey is not so willing to take risks of an anticipatory character, particularly if they are large. On the other hand, if the Administration's announced campaign to steadily reduce government expenses affords an unexpectedly large measure of success to the point where a balanced budget were in sight, then the Treasury might take greater short-run risks in anticipation of still lower spending in order to accommodate the conservatives on Capitol Hill.

May Not Agree

This is not a prediction that Mr. Reed and Mr. Humphrey will for sure find their two hearts beating like one on tax matters, come next January. It is just a report that the two seem to be trying with utmost earnestness to see if this cannot be brought about.

It is for this reason that the Treasury gets a little miffed when people try to draw it out as to its views on a sales tax, or an extension of the present high rate of excises, or on other subjects.

Mr. Humphrey, it is said, intends to make no public commitments on taxes, not merely until he has a better picture of probable spending for fiscal '55 than he now has, as he announced. Instead it is supposed to be the Secretary's view that the Treasury will not announce its position on any important and specific tax subject until he has seen if it is not possible for whatever decision announced to be a joint Congressional-Administration decision.

On the other hand, it is believed that the views of the Congressional taxmen and the Administration are basically divergent. Mr. Reed definitely doesn't want to continue the present corporation income tax rate of 52%; while Mr. Humphrey has kept mum about this. He hasn't changed his mind, it is believed, since he persuaded the President to ask for continuance of both the higher corporation rate and the higher rates of excise which if not extended expire April 1, 1954.

Revision Is a Doubtful Project

An overall tax revision on any important scale still remains an extremely dubious prospect until the Administration finds ways to get along with something not less than $5 or $6 billion of reduced spending—or more of a cut if Congress won't extend the aforementioned higher tax rates which otherwise would expire April 1.

Humphrey Pitches Cash Budget Performance

Democrats soon will make a monkey, they think, out of Secretary Humphrey's accolade to the Eisenhower Administration for almost getting the cash budget in balance. Mr. Humphrey's pat on the back to the Eisenhower Administration came in his press conference showing a net reduction of $1.8 billion in the estimated conventional deficit in the budget revisions announced Aug. 27.

"On the basis of these estimated figures we are now within less than a billion dollars, maybe as low as a half a billion dollars, of balancing our cash outgo with our cash income," said the Treasury Secretary. "This is better at this time than we had hoped we could do; it is an improvement over our best expectations if it turns out that this actually does work out in this way.

"It gives us a lot of encouragement to feel that we can actually do what we have said we are going to try to do which was to actually bring our income and our outgo into balance before this year is over with. . . . and if we can accomplish a balanced cash budget this year it will be much better than we prophesied and better really than we hoped," stated Mr. Humphrey.

Humphrey Makes Truman Look Hot

Starting with the fiscal year 1947 to get a year not too heavily distorted by the war, and including as does the Eisenhower Administration fiscal 1953 as a "Truman year," here is Mr. Truman's postwar cash deficit or surplus performance:

Fiscal Year	Millions
1947	$6,659 (surplus)
1948	8,903 (surplus)
1949	1,051 (surplus)
1950	2,185 (deficit)
1951	7,635 (surplus)
1952	137 (surplus)
1953	5,217 (deficit)

This works out to a total surplus, after subtracting the two cash deficit years, of $16,983 million for Mr. Truman, or an average annual cash surplus of about $2⅓ billion a year.

Democrats will ask why Mr. Humphrey is bragging that he is with luck going to come within a half billion of balancing the cash budget when Mr. Truman did so well, and is it really true that the Eisenhower Administration was promising some day to balance the actual budget and not merely the cash budget?

Retreats From FEPC Stand

With the tacit if not admitted consent of President Eisenhower, Commodity Credit Corp. has decided that after all it is not compelled to enforce a fair employment practices contract upon commercial banks which handle price support loans on farm commodities for the CCC.

For banks these loans have relatively little value at present interest rates. They do build up good will with customers, but banks were unwilling nevertheless to have their employment practices subjected to an FEPC "enacted" by President Roosevelt and affirmed by President Eisenhower, in the form of Executive orders. Here is the history of this thing:

Although Congress has repeatedly refused to enact an FEPC of any kind, President Roosevelt, by an Executive Order in 1943, required of **all government contracting agencies that in all government contracts,** they insert an FEPC clause.

Mr. Roosevelt created a "Fair Employment Practices Committee" to enforce this clause. Congress, regarding this as an usurpation of legislative power, in 1946 eventually got around to prohibiting the use of any funds for this committee.

President Truman in 1951 issued Executive Order No. 10308 affirming President Roosevelt's Executive order of 1943 and (notwithstanding the disapproval of Congress expressed in its action in 1946) set up a "Committee On Government Contract Compliance" to enforce the FEPC clause in all government contracts.

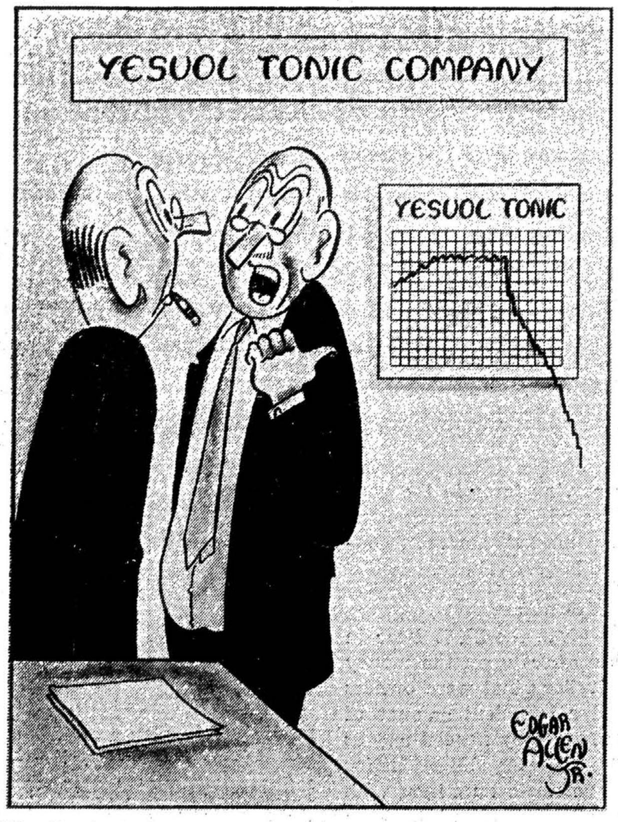
On Aug. 13, 1953, President Eisenhower issued Executive Order No. 10479 repealing Mr. Truman's "Committee On Government Contract Compliance," and substituting therefore, the enforcement of Mr. Roosevelt's Executive Order of 1943 by a "Government Contract Committee" headed by Vice-President Nixon.

Thus, Mr. Eisenhower appeared willing, in the opinion of FEPC opponents, to disregard the Constitution and the refusal of Congress to enact an FEPC or write an FEPC clause in ALL government contracts. Notwithstanding the President's professed respect for the Congress and his professed opposition to usurpation of Federal powers, he will not let such little niceties stop him from using the stratosphere of "broad powers" to achieve what to the President's thinking is a desirable objective.

For the Executive Order of Aug. 13 still stands, even though banks have been exempted as to CCC loans.

(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



"It all started when that ★——★ advertising agency spelled Yesuol backwards!"

City Governments Set New Operating Records in 1952

The financial scale of American municipal governments increased again in 1952, continuing the marked upward trend of city revenue, expenditure, and debt which has marked the period since the end of World War II, according to the "Summary of City Government Finances in 1952" issued Sept. 4 by the Bureau of the Census.

The pattern of 1952 developments is shown in the present report, covering finances of the municipal corporations of the 481 cities in the United States which had over 25,000 inhabitants in 1950. These municipalities account for over one-third (35.5% in 1951) of all local government revenue and nearly one-half (48.3% in 1951) of all local public debt in the nation.

Although there were 16,297 other municipal governments serving communities of less than 25,000, the cities covered by this report account for about four-fifths of all city government revenue and expenditure.

Borrowing of these cities in 1952 amounted to $1,138 million, 6.8% more than in 1951, and nearly as much as the record 1950 total of $1,156 million. Debt redemption was $534 million in 1952, about the same as the 1951 amount. Outstanding debt at the end of fiscal 1952 was at a new high of $10,592 million, as compared with $9,975 million a year earlier.