ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 180 Number 5344 New York 7, N. Y., Thursday, July 22, 1954 Price 40 Cents a Copy

EDITORIAL

As We See It

It is as yet too soon to undertake anything in the nature of a definitive appraisal of the record of the Eisenhower Administration in the 83rd Congress. Too much uncertainty still exists as regards the final disposition of a number of important pieces of legislation, and too much obscurity at this time surrounds the precise terms of complex legislation still subject to alteration in the final steps of passage to the statute books of the nation. The outcome is apparently rather certain to contain some constructive achievements and fully as certain to carry a good deal that sober reflection suggests should not become law. Though far from flawless, the measures now apparently scheduled for passage are, it would appear, less burdened with the anti-business venom and the socialistic slants than have been most legislative programs of recent years, but how great or how vital the difference remains for the future to disclose.

Meanwhile, the closing days of this session of Congress have furnished a forceful reminder of some of the shortcomings of "politics" and of the defects of the practical workings of democracy as practiced in this country—and, if the truth be told, as practiced anywhere in the world. One need but review the career of the pending tax bill to be reminded once again that fiscal statesmanship is always in danger from the ordinary garden variety of politics. Here is a measure which has been undertaken with the hearty and hard-working cooperation of many specialists to give the country a carefully drawn tax system consistent within itself and effective from an administrative standpoint. It also in an extremely, even

Continued on page 39

How Realistic Is Our Foreign Economic Policy?

By HON. FRANK CARLSON*
U. S. Senator from Kansas

Senator Carlson covers the whole field of foreign trade policy in both its domestic and international aspects. Says first plank in our foreign economic policy should be a sound dynamic and progressive domestic policy and cities responsibilities of Federal Government under the Full Employment Act. Lists as objectives of our foreign economic program: (1) curtailment of foreign financial aid; (2) encouragement of private investment abroad; (3) facilitation of currency convertibility, and (4) expansion of our foreign trade. Concludes our foreign policy is realistic and should be tested by the degree in which it results in a higher level of two-way trade.

By limiting ourselves to the question of how realistic our policy is, we are spared the necessity of debating the details of an ideal policy—that is, the kind of a policy which we might feel was appropriate and which we might hope to pursue in a more stable, friendly world.

Hon. Frank Carlson

We are spared also the necessity of going over the pros and cons of free trade or protectionism. These are issues upon which untold speeches have been made in the United States Congress and the debating forums for decades. They are issues upon which honest differences of opinion exist and probably will continue to exist for many more years. By focusing our attention upon the question of realism, we may be saved from much of the traditionalism and emotionalism which so frequently intrude when tariff policy is discussed. In discussing the realism of our foreign economic policy, we must, of course, have some meeting of minds upon our policy

Continued on page 14

*An address by Sen. Carlson at the Colgate University Foreign Policy Conference, Hamilton, N. Y., July 14, 1954.

Major Depressions Are A Thing of the Past!

By GEN. FRANK R. SCHWENGEL*
President, Joseph E. Seagram & Sons, Inc.

Gen. Schwengel bases his conclusion that boom-and-bust periods belong now to the past on (1) measures that have been taken to make the American economy more stable, and (2) the potential developments and strength inherent in the American economy. Lists as developments ensuring stability: (1) measures to prevent bank failures; (2) sound regulation of bank credit; (3) widespread improvement in home financing; (4) broadened social security legislation, and (5) progress in better labor-management relations. Denies prosperity rests on huge defense expenditure.

Events since the end of World War II have led to the heartening conclusion that the United States has learned how to avoid deep depressions accompanied by large-scale unemployment. Nine years have passed since the end of hostilities and yet in spite of the great maladjustments created by the war — in spite of the great political uncertainties that prevailed for the greatest period after the war, business activity in the United States during this period remained near its highest levels.

F. R. Schwengel

To be sure, the country witnessed a rolling readjustment in 1948-49 which affected primarily the soft goods industries — and again one which we saw began in July 1953, which in turn affected primarily the durable consumers goods. In both cases, however, the declines were relatively minor in character; the total number of unemployed remained relatively small while the gross national product and the disposable income of the people remained at a high level.

While perhaps not enough time has passed to render

Continued on page 29

*An address by Gen. Schwengel at the Seventh Annual Meeting of the Seagram-Distillers Corporation, New York City, July 12, 1954.

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.)

HERBERT E. GREENE

Coburn & Middlebrook Inc., Boston, Hartford, Portland, Me.; Providence, New York City

The Philippine Long Distance Telephone Company

After long and successful experience dealing in the securities of the companies controlled by Theodore Gary and Company, principally associated Telephone and Telegraph Company and Telephone Bond and Share Company, it is only natural to look for further money-making opportunities in another company under the same management. Subsidiaries of Theodore Gary and Company which controls and manages Telephone Bond and Share Company, the second largest independent telephone system in the nited States, own 57.5% of the capital stock of the Philippine Long Distance Telephone Company. The rebuilding and development of this Company is in the hands of top management, some of whom have had over 40 years experience in the telephone business in this country.

Herbert E. Greene

The political and fiscal situation in the Philippines is greatly improved as a result of the program instituted by the new regime elected last year. Then too, the over-all Southeast Asia picture is much clearer as a result of the current truce agreement at Geneva. The threat of war seems removed.

The Company's properties have now been fully restored to their prewar condition. The demand for telephones in Manila is relatively as great, percentagewise, as was our postwar demand. It is likely that the Company's gross revenues will double in the next five years, as the pent up demand must be satisfied and capital formerly denied to the Company is now available for that expansion.

The price of shares of Telephone holding companies in this country, heavily indebted and with large amounts of preferred stock, currently sell at prices ranging from 10 to 12 times a year earnings to yield 5 to 5½%. The common stock of this operating telephone Company looks mighty attractive to me, selling at five times indicated 1954 earnings to yield 8%, after Philippine Government withholding and excise taxes.

This company, the result of consolidation of five independent concerns separately operated, was incorporated under the Laws of the Philippine Islands on Nov. 28, 1928 for a term of 50 years. It has been successfully and profitably operated since its inception with the exception of the period of the Japanese occupation.

The Philippine Islands have an area of over 114,000 square miles and a population of 20 millions. Manila with a population in excess of 1,000,000 is the principal city and capital.

Prior to World War II, a comprehensive telephone network of land and toll lines, submarine cable and radio telephone channels were serving the City of Manila and 23 other municipalities through 26 central office exchanges and three radio-telephone stations. The system furnished telephone service throughout the Islands through its own facilities and those of connecting services. The principal islands served were Luzon, Panay, Cebu, Negros and Mindanao. The Davao Telephone Company, wholly owned, operated in Mindanao.

Direct connection between telephones of the company's system with those in the United States was maintained by means of radio channels between the island of Luzon and California, which afforded communication by telephone, through the facilities of the American Telephone and Telegraph Company to stations in every part of the world.

Overseas radio telephone service was maintained between the Islands and the United States, Europe, Java, Japan and Malaya under operating arrangements covering the use of radiophone owned by the company and equipment owner by RCA Communications, Inc.

The company and its wholly owned subsidiary on Jan. 1, 1941, had 31,419 telephone stations and 4,298 connecting stations in service. Other facilities consisted of 65,289 miles of exchange lines and 3,522 miles of toll lines, six automatic exchanges, four common battery manual exchanges, 13 magnetic exchanges, one common battery toll exchange and two magneto toll exchanges.

A damage claim filed with the United States Philippine War Damage Commission for $7,520,000 has been adjudicated for $3,973,016. Of this amount $1,177,254.80 was received by the company in February, 1950 supplemented by an additional payment of $887,566.18 in September, 1950. Just when the balance will be received is problematical as the moneys have not as yet been appropriated.

Rehabilitation of the company's plant which had been largely destroyed during the war proceeded slowly until 1948. During that year 4,234 telephones were installed bringing the total number of telephones in service as of the 1948 year-end to 10,848 of which 5,771 were in the City of Manila. Rehabilitation of the two central offices in Manila was completed and initial units of automatic equipment were placed in service.

Long distance telephone circuits were largely restored to prewar capacity, overseas radiotelephone service to Shanghai was resumed during 1948 and service was re-established to the Island of Okinawa, inter-island radio-telephone was re-established in 1949 between Manila and Cebu and other prewar inter-island circuits.

Additional overseas service was established during 1952 with New Zealand, Guam and Macao. Complete commercial overseas service is now provided to all principal points in North America, Australia, Europe and Asia except those points that are restricted by political barriers.

Consistent growth of telephone service continues and established an all time peak in 1953 of 33,712 at the year-end, the first time since the war the number substantially exceeded the prewar figure. The company presently owns and operates 85% of the total telephone exchange facilities and all of the inter-connecting and long distance radiophone circuits.

The following tabulation of condensed balance sheet items indicates the results of the rehabilitation program:

YEARS ENDED, IN PHILIPPINE PESOS

	1953	1949
Assets—		
Telephone plant	P28,713,352	P19,402,128
Current assets	5,206,093	2,057,131
Total liabilities	P38,855,629	P29,732,461
Liabilities—		
Capital stock	P11,265,030	P7,057,100
Funded debt	7,862,200	3,572,000
Current liabilities	1,356,930	2,954,624
Total liabilities	38,855,629	P29,732,461

Represented by 1,120,395 shares.
P=Peso official rate of exchange 50c United States funds.

The tabulation below indicates annual earnings per share as related to number of telephones in service:

	Earnings per Share	Telephones in Service
†First quarter 1954	.20	§39.000
*First quarter 1953	0.66	33,712
‡First quarter 1952	9.05	28,964
‡First quarter 1951	5.87	23,384
‡First quarter 1950	4.54	19.763
‡First quarter 1949	.97	15.408
‡First quarter 1948	.38	10.848

†Based on 1,208,400 shares. *Based on 1.120.395 shares. ‡Based on 70,571 shares. §Estimated.

"In a nut shell," we have here a soundly financed, well managed utility company, paying extremely liberal dividends with a terrific growth factor, selling for less than one-half of the price of comparable stock of similar quality in this country.

The stock is traded in "over-the-counter" market and the San Francisco Stock Exchange. Approximate price 4½.

FLORENCE W. STEPHENS

F. W. Stephens Co., New York 5, N. Y.

Mars Metal Corporation Class A Participating Preference Stock

Occasionally a company goes through growing pains for a number of years before the public is aware that a substantial industry is developing. By that time it is often too late to benefit. In the case of Mars Metal Corporation the impetus has been getting under way gradually until at present, like a well-rooted tree, it is branching out in several directions, but is still in the development stage.

F. W. Stephens

Mars Metal started as a sole ownership in 1914, became a partnership in 1937 when the son of the first owner took over, and in March, 1953 was formed into a corporation. Its principal business was, and still is, the dealing in secondary non-ferrous metals. This metal is acquired chiefly from large industrial concerns and governmental installations and is partially processed and sold to various brass mills, lead and brass smelters, copper refineries and others throughout the United States.

Before World War I the United States was an exporter of various primary and secondary non-ferrous metals including copper, zinc and lead. Since World War II, due to the increased industrial

Continued on page 8

This Week's Forum Participants and Their Selections

The Outlook for Business and Securities

By JULIAN D. WEISS
General Partner, First Investment Company, Investment Counsellors, Los Angeles, Cal.

On the basis of his analysis of business and stock market conditions, Mr. Weiss concludes business activity in the second half of 1954 is likely to be better than the first half. Warns, however, stock market is no longer in area of undervaluation, and while its technical action is good, caution is warranted. Holds no major decline need be anticipated, and long range trend remains upward. Contends in next few years the Dow-Jones Industrial Average is likely to exceed the 1929 highs.

Analysis of the business and market situation provides basis for the following conclusions:

Business

For the past nine months, there has been a readjustment stemming from (a) inventory reduction, (b) cutbacks in government spending, and (c) reduction by consumers in their expenditures for durable goods. It is probable that the major portion of the inventory correction has been witnessed. Retailers and other buyers have been coming back into the market. Government expenditures for defense purposes will increase. Public purchasing power is high; and disposable income has declined only slightly from 1953 peak. Actually, there has been a contraction in consumer instalment outstandings. Business activity in the second half of 1954 is likely to better the first half results. Business is on a high plateau, with moderate improvement being manifested the past few months. No inflation is probable over the short term. In our opinion, 1954 will be the second best year in history from an overall economic viewpoint. We definitely do not envision a depression.

Julian D. Weiss

Stock Market

The stock market has been acting better than even the most optimistic expected. There has been a rise of 82 points on the Dow-Jones Industrials since mid-September, 1953. (The decline in production has approximated our 10% forecast of Aug. 31, 1953.) We have pointed out many times the tendency of the stock market to move opposite to business over the past decade. The market fundamentally is not overpriced in relation to current and prospective dividends, but no longer is in an area of undervaluation. It is now in the area of the upper trend line (long term) and while the technical action of the market is good, we, nonetheless, feel caution is warranted, thinking in terms of the months ahead. A major decline on a bear market trend is not anticipated.

The probabilities, over the months ahead, point to consolidation or a shake-out. The long-term trend remains upward. There is no change in our previously expressed opinion that the market, in the next few years, is likely to exceed the 1929 highs of 384 on the Dow-Jones Industrial Average.

Many people have stated, "the bubble must break." What we have is more than a "bubble." It is fundamental. The major factors which are likely to prove the determinants of the long-term business and market trends are summarized below:

(1) **Huge Population Increase.** With probability of further substantial growth in population, which increases aggregate consumption in this country.

(2) **More Consumers.** The fact that relatively the heaviest increases in the population are in the young and old, i.e., at both ends of the population curve. This means a relatively greater increase in consumers than it does in the "middle-age groups" which constitute the bulk of the working population.

(3) **Broader Income Base.** The much broader base in the distribution of national income. This makes a "mass market" for products, a good part of which formerly was a "class market."

(4) **Deficit Financing.** In most years the Federal Government has operated at a deficit; and this, in turn, means a further expansion in the money supply, with a consequent effect on the price level of the country. The money supply in the United States has tripled since 1939 and quadrupled since 1929.

(5) **Credit Policy.** For policy reasons, no Administration can espouse high interest rates and a hard money policy. Reference is made to the present Administration's abortive effort to tighten money the first half of 1953; and the fact that political necessities forced a reversal of that policy, with reduction in member bank reserve requirements, the rediscount rate, etc. All this means a continued background of easy money.

(6) **Corporate Cash Flow.** We refer to the huge cash throw-off from depreciation and emergency amortization and the fact that for many major companies the cash throw-off from these sources in the past four or five years has more than doubled.

(7) **Dividends.** Because of the great cash flow, even if reported

Continued on page 30

INDEX

Articles and News

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, July 22, 1954

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publication

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

A Long-Range View Toward Higher Stock Market

By GEORGE C. ASTARITA
Boettcher and Company, Colorado Springs, Colo.
Members, New York Stock Exchange

Mr. Astarita finds stock market conditions sound, though he warns "blue chips" are relatively high and may have temporary set-back. Sees greatest speculative opportunities in secondary stocks, but holds there is solid basis for an almost continuing upswing of stock prices during the next two decades. Holds new theory of compensatory spending helpful to prosperity.

For the first time in history a business recession has not been accompanied by falling industrial and retail prices and any perceptible diminution in purchasing power. Production has been lowered as the result of inventory adjustments and soft spots have appeared in the economy such as the automotive and other segments of the consumer durable goods industries, to say nothing of the deterioration of agriculture. It can be said that the nose and ears of the portrait are slightly marred but that the picture as a whole is one of a healthy man. A saucer-like formation of business is now evident with an over-all rise imminent as the result of the gradual demise of the attrition forces and the revitalization of defense orders. The immediate future, sparked by easy money and an Administration friendly to business, appears bright but a plentiful amount of production with its attendant factors of price pressure and lower profit margins would seem to temper too great a deal of enthusiasm. On balance, however, a favorable attitude toward business would seem to be justified. Political considerations, as November approaches, will deserve careful appraisal.

George C. Astarita

In view of having successfully weathered a mild business recession and in the meantime having enjoyed a substantial stock market rise, what is the outlook for the market during coming months? Is it true that the rise has been concentrated more or less in what is termed the "blue chip" stocks and that perhaps some 65% of all listed stocks are still below their 1946 highs. It is also true that the Dow Jones Averages, which are made up for the most part of blue chips, are much cheaper today in relation to assets, earnings and dividends than at former bull market peaks. It should be remembered, however, that we are living under the threat of war and for that reason former generous multiples of earnings and dividends probably will not be attained.

The fact also exists that the recent rise has accomplished a great deal within a short period of time and for this reason alone the market is entitled to a resting spell which might last one year or longer. During this interval, it would be reasonable to suppose that the blue chips will mill around for the purpose of digesting their large advance and the secondaries in many instances should work higher in order to get more into line with the blue chips. It would seem likely, also, that during the same interval a technical reaction should occur which conceivably could take the Dow Jones Industrial Average back to within striking distance of the 300 level. After this consolidating phase, the market should work to still higher levels based upon dynamic long-term factors which will continue to operate and which should bring about considerably higher prices in the years to come.

Based upon these assumptions, the long-term investor need have no concern about prices but the short-term trader should be alert to the opportunities present in the secondary stocks and he should no longer attempt to make money in the blue chips which have perhaps discounted the future for some time to come.

Long-Range Outlook

If thus far a note of caution has been struck, such caution can be largely disregarded in consideration of the next two decades. Not only has the American economy enjoyed full employment 80% of the time throughout its long economic history, but the prospect is for a still better performance in the future as the result of built-in stabilizers introduced since the last war. Consumer demand, which has held at near peak records during the recent business recession, has done so and will continue to manifest stability in the future as the result of old-age assistance, unemployment compensation, pension benefits, farm supports and mounting wage increases. A steadily rising disposable income superimposed on that part of the economy accounting for two-thirds of total spending power is hardly conducive to depression atmosphere.

Contributing in large part to a stable economy is the new theory of compensatory spending adopted by government and both political parties. Any decline in the overall economy is immediately combated by more spending, lower taxes and easier money. Reinforcements of this magnitude serve as insurance against business declines and a rapid cure should the decline eventuate. The economic philosophy behind this practice may be questioned but it is a *fait accompli* and as such has become a permanent part of our economy.

Another new and apparently permanent economic stabilizer is to be found in defense expenditures which, despite attempts at paring, will probably exceed $65 billion during the 1954-55 fiscal year. Proposals for bolstering civil defense against the hydrogen bomb may well increase this figure by a substantial amount. Such expenditures, while reducing the people's welfare, nevertheless contribute greatly to an active economy and incidentally to government deficits. The larger the gross national product grows, however, the less burdensome becomes the government debt.

These are compelling reasons why the economy today and in the future will enjoy a far greater degree of stabilization than in the past. Lest the reader, however, be lulled into the false concept that business recessions are passe, it should be noted that recessions will again occur, resulting mainly from the necessity for inventory adjustments. Such adjustments, however, are self-liquidating and after the painful period passes, the economy always resumed its long-term upward trend initiated by the inevitable growth in both population and productivity.

The economy of the future depends upon the available labor force, the length of work week and productivity per man-hour. Without using substantiating figures, which are readily available, the conclusions can be reached that within the next 20 years the population will increase by approximately 50 million persons and the work force will multiply proportionately. The work week may decline somewhat but only slightly. Productivity per manhour should continue to increase by at least its historical rate of from 2½ to 3% per year. These almost immutable projections should bring about a doubling of the nation's industrial production, which now is $1 billion per day!

One may, therefore, visualize in 1974 perhaps 100 million instead of 50 million motor vehicles on a network of roads double their present size, tens of millions of new houses and still more millions of all the items used in the home. The vision which will become a reality spells prosperity for the nation, growth for individual companies and amassed wealth for the investor. One must, therefore, possess faith in America and invest for the purpose of enjoying his inherent right to participate in the large and inevitable growth which lies ahead.

Observations . . .

By A. WILFRED MAY

Time-Buying in the Stock Market

"When to buy?"; "What to buy?", "When to sell?" have traditionally been the three foremost questions besetting investors. Perplexity over the first, the *when*, is being importantly relieved by the periodic-accumulation-plan technique, the growth of whose popularity is currently highlighted by two sources:—results of the New York Stock Exchange's Monthly Investment Plan as reported by President Keith Funston; and by Arthur Wiesenberger, long-time dean of the specialists in investment company securities, in his description of accumulation plan doings in the mutual funds area in the 1954 edition of *INVESTMENT COMPANIES*, ($20) the standard annual reference work in that field.

A. Wilfred May

Making a progress report on the Exchange's Plan, Mr. Funston discloses that since its inauguration January 25 last, more than 19,000 plans have been initiated, and they are coming in at the rate of 100-150 a day. The payments made since the start are approaching $4 million and the orders figured at their completion amount exceed $45 million.

Spreading the Wall Street Wealth

Of course, the impact of this buying power on the overall market structure is negligible when viewed in the context of other stimuli: as the $700 million of annual new equity investment by individuals, the $250 million yearly stock purchases by pension funds, the $160 million of common stock acquisitions by life insurance companies during the first five months of this year, or the mutual funds portfolios' acquisition of $641 million of equities during the first half. But the MIP is all-important in the pursuit of that nettlesome goal of democratizing security ownership—90 of the Plan's participants being new investors. Such democratization additionally is being furthered enterprisingly by the tying-in of payroll deduction plans, such as are so widely and soundly used in the Treasury's distribution of Savings Bonds. Deductions from an employee's salary may run as low as $3.08 weekly. Four industrial companies already have permitted Exchange houses to institute pay-roll plans, and with registered representatives earning commissions thereby, the trend should be extended.

Any relief from "double taxation" of dividends derived from the forthcoming Revenue Bill will also supply at least a psychological fillip to Main Street stock distribution.

Implications of the Dollar-Averaging

The Exchange's Plan, of course, constitutes "dollar averaging." *Dollar Cost Averaging* is the technical term denoting the investing of approximately equal amounts of money at regular time intervals. While its growing number of proponents are convinced that "it is a means of turning to one's advantage the fact that stock prices do fluctuate and of capitalizing upon declines in stock prices when the occur,"* this writer disbelieving in this particular favoring argument, does instead strongly commend the device on the ground of its supplanting tempting forecasting proclivities with a disciplined and automatic time-table.

The set periodic schedule of buying, eliminating the hazardous and trouble-making problem of market *timing*, is extremely sound, justifying the incurrence of any minor disadvantages of such averaging.

In other words, the dollar-averaging plans supply a most valuable forecasting antidote.

But the Stock Exchange's Plan still runs into the question regarding the *what* to buy. Which single or few stocks shall the non-professional choose? His current arrival at a specific choice is not clearly defined—apparently he is influenced by his broker's recommendation or by the glamor appeal, or, even as the professional, by *blue chip-itis*—or a reciprocal compromise of the three. What he does buy is evidenced in the following table of the most popular stocks with the Monthly Investment Plan buyers:

Stock	No. of Plans
Radio Corp. of America	1,057
Dow Chemical	911
General Motors	867
American Tel. & Tel.	740
Standard Oil (N. J.)	540
General Electric	529
Tri-Continental	396
Long Island Lighting	319
U. S. Steel	302
International Nickel	279
du Pont	270
Socony-Vacuum	238

Your columnist assuredly is not going to quarrel with these or any other specific choices that may be made. But it is important to point out that it is more logical and practically effective to solve the *what* (to buy) problem by taking advantage of the instrumentality of the investment company. By this means initial diversification eliminating hazardous concentration, as well as continuing management, are secured—at low cost. Wiesenberger lists nearly 100 different mutual funds which can be purchased on a convenient periodic basis.

Expert Guidance Gratis

And there is even a way for the purchaser to eliminate this cost—and actually to have a "minus cost"—while gaining the benefit of diversification and management; that is by using the *closed-end* investment company as the issue to time-buy. For sev-

*"Investment Companies," Wiesenberger, 1954 edition, page 41.

eral entities of this type are permanently available at discounts, ranging up to 40%, from the market value of their portfolio. Incidentally, a discount of 40% from book sales value is equivalent to an appreciation above cost of 66⅔%.

Of course, the realization of profit on such differential may be academic, at least for a long time, in the absence of the portfolio's liquidation by open-ending or other form of sale. But in any event, the investor benefits continually from the time of purchase through the corresponding yield in *income*. And where the discount exceeds the management expense, the expert management is secured free, plus a bonus.

Hence the inclusion of Tri-Continental in the above table of the Exchange's most popular Plans is highly justified (the high leverage on this company's portfolio, in accentuating fluctuation, may constitute an additional advantage to the dollar-averager, at least psychologically).

Greater public consciousness of such or other availability of income would be constructive. And judged by the low yield extending down to 1.8%, of many of the stocks picked in present MIP plans, this is needed.

Bear Market Implications

In the above we have discussed various factors in the Planned *acquisition* of a stock. Bound up therewith are questions connected with its possible subsequent *sale*, as an individual transaction, as well as the market and economic repercussions? At any time an MIP plan purchase schedule can be terminated, and also stock already bought whether fully paid for or not, can be cashed.

If the current one-way bull market should ever develop into a real bear period, how would our time-buying laymen behave? Would they liquidate midst emotionally disturbing deflation? While this assuredly constitutes a $64 question, the conclusion seems warranted that a time-buying schedule would at least tend to induce a more phlegmatic attitude over the long-term, and thus is highly constructive on a very broad scale.

The State of Trade and Industry

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

The Federal Reserve Bank's National Summary of Business Conditions

A Washington July 15 release by the Board of Governors of The Federal Reserve Bank commenting on the national summary of business and financial conditions in U. S. A. for June and the first week of July follows:

"Industrial and construction activity changed little in June. Retail auto sales, were exceptionally active and retail sales of other goods also increased. Steel prices were advanced early in July, following an increase in wage rates, while prices of most other commodities were stable after mid-June. Common stock prices reached new highs." For the Reserve's interesting and informative summary of conditions in the various departments of industry and finance please refer to another page in this issue. This condensed analysis is worth careful consideration by every business man.

"Iron Age" Views Future Steel Production With Optimism

Steel orders are expected to pick up noticeably within the next 30 days, according to "The Iron Age," national metalworking weekly. Orders placed during that time will be largely for September production. Steelmakers expect September to spearhead a steady fall upturn.

Meanwhile, July steel business is fully as sluggish as had been predicted. August business, which is now pretty well on the books, will provide scant improvement.

Biggest reason for slow business now is plant-wide vacations of many steel consumers. Over-ordering in June as a hedge against a possible steel strike has also resulted in less business now. In addition there has been some tapering of auto production as producers are getting ready to introduce new models.

A number of factors which make the steel market seem ripe for an upturn are:

(1) Business in general has weathered the "adjustment" period, now seems headed into a period of steady if gentle improvement.

(2) Inventory correction on top of overall economic adjustment has caused steel business to be curtailed more sharply than most manufacturing industries. Now that inventory correction has just about run its course the pickup in steel will be sharper than in most other industries.

(3) Seasonal factors are important again. This makes it as natural to expect an upturn in the fall, as it is to expect a lull in the summer.

Steelmaking operations this week are scheduled at 66.0% of rated capacity, a gain of 1½ points over last week's revised rate. The steel ingot production index is estimated at 97.9 (1947-49=100.)

Market for sheets and strip, both hot- and cold-rolled is generally dull. Spurred by grain bin program, galvanized sheets are very firm. Tinplate is beginning to ease from pace of last few months. Construction items are very popular, though wide flange beams are a little easier. Oil country goods are still strong. Railroad demand is weak. Farm products are moving fairly well.

Steelmaking scrap prices edged up this week, after 6 consecutive weeks of decline. Increases raised The Iron Age Steel Scrap Composite Price 25¢ to $26.83 per gross ton.

"Steel" Is Optimistic About Improvement in the Steel Industry

Basic soundness of business is reflected in the rebound of steel production after the Fourth of July holiday, says "Steel,"

Continued on page 31

Financial Department Stores

By IRA U. COBLEIGH
Enterprise Economist

A teller's window view of two of the fastest growing commercial banks in America, The Franklin National Bank (Long Island) and The Valley National Bank of Phoenix, Arizona.

The spectacle of a bank emulating a chemical or electronic company in rate of growth may appear a bit startling to those accustomed to lodging their wampum or gleaning credit accommodations in the First National Bank of New York, or the Northern Trust Company of Chicago. Today's piece is, however, devoted to two enterprises that have generated terrific financial forward motion, by virtue of geographical location, progressive branch banking, widening the horizons of service to depositors, and managements assaying high in initiative, vision and judgment.

Ira U. Cobleigh

The first of these eminent examples of effective expansion is the Franklin National Bank doing a thriving business in eight offices in Nassau and Suffolk Counties on Long Island, the fastest growing section of New York State, and one of the most expanding areas in the entire nation.

Franklin National Bank

Just look at the way Franklin National has moved ahead. At the 1943 year-end, deposits stood at $9½ million. Ten years later they were $178.6 million and on June 30, 1954, three short weeks ago, deposits were just a whisper short of $225 million. Since 1945 Franklin National has zoomed ahead from 807th bank (in deposit size) in the U. S. to 100th right now.

All this progress is, as the physicists might say, the resultant of a number of forces. First, during the War, aircraft and electronic plants blossomed and flowered on Long Island. Sperry, Republic, Grumman, Hazeltine to name a few. This brought a lot of people needing homes. Post war, Long Island, flat and accessible, became the suburban Mecca for tens of thousands, and housebuilding became the No. 1 industry. With the possible exception of the Long Island R. R., everything was flourishing. Small business located on Long Island, king size super markets arose, and huge streamlined shopping centers localized the buying habits of residents.

Management's Role

In such an economic climate, almost any bank would have had a chance to prosper, but it took management to maximize these potentials for the particular benefit of Franklin National and its shareholders — management to an important degree, the lengthened shadow of Arthur T. Roth, President. Drive-in banks, personal loan and instalment buying departments, were the order of the day. Virtually no legitimate request for reasonable credit by responsible individuals was refused, and many small businessmen were amazed to find a bank so sympathetic to their banking needs and so eager to see them prosper.

To a veteran opening a diner, a mechanic opening a garage or a builder of houses, Franklin National was ready with intelligent advice, and accessible facilities for deposits or loans. For individuals, 12 month loans as low as $80 were made available and last year the bank made about 8,000 such loans for either purchase of cars or appliances, or for personal needs like doctors' bills or a vacation trip. The June 30, 1954 statement shows loans to businesses—individuals—at $81.6 million. Mortgage loans to business—individuals—were $33 million.

Now let's talk about profits. Since Dec. 31, 1945, Capital, Surplus and Undivided Profits have grown from $1,091,066 to $15,372,289 at June 30, 1954. In January 1950, 100 shares of Franklin National stock would have cost around $5,500. Since then $277.50 has been paid in cash on this holding and 234 shares given as stock dividends. Today without putting a penny up (over and above the original $5,500) you'd have 334 shares worth over $17,000. Not bad for five years. Shares selling now about 58. They should earn above $4.25 this year.

Valley National Bank

Now we switch out to the Southwest where, but for a different set of reasons, conditions have also been excellent. We're going to make a few notes about Arizona in general, and the Valley National Bank of Phoenix, in particular.

First — Arizona in the past 15 years has been the fastest growing state in point of population, retail sales, farm income and last, but not least, bank deposits. The number one factor in all this fantastic progress has been the climate. Moderate temperature, low humidity, and plenty of sunshine, have in particular, made it a top retirement section of the country. Pensioners and oldsters from other states have been moving in at a great rate with their goods, their funds and their incomes. This has caused quite a building boom, around 16,000 homes a year currently.

On the industrial side, there are three Air Force bases with large Government expense outlays, a number of aircraft and accessory plants; and Arizona has long been famous for minerals, producing over 40% of our copper as well as sizable tonnages of lead, zinc, gold and silver.

Agriculture is still the top income item with cotton the leading crop and cattle important.

About banking, branches have been standard and Valley National Bank has 35 offices and total deposits of over $340 million, up from $200 million in 1945.

A gentleman named Walter Bimson took over the presidency of Valley National (he is now Board Chairman) right after the depression, when the bank's deposits were below $10 million, and set the stage for its expansion by his belief in branches, and his desire to broaden the services to depositors. In particular that meant loans and today the bank not only handles the traditional farm credits, but 35% of its loan portfolio is in consumer and installment loans. Fact is most any straightaway loan demand, personal, collateral, or real estate can be handled.

Unlike some of our Eastern commercial banks, Valley does a big time deposit, or thrift department, business and although it's had considerable competition from Savings and Loan Associations it still is able to keep its share of this trade, partly by liberalizing interest payments and partly by offering so diverse a banking service in all its branches.

About the stock, it's been good to its shareholders and after recent offering of 200,000 new shares at 22, will have 1,200,000 shares outstanding. Indicated dividend rate is $1.00 against 1954 estimated earnings of around $1.65. Seven dividend increases have been posted since 1946. Present quote 23½.

This little piece has been offered to suggest, to those who have viewed bank shares as a rather stolid defensive type of security, that there are banks which by fine management, operating in opulent regions, can shoot up earnings, dividends, and market prices of their shares. Either of the ones we've limned today displays a growth curve which, if projected, could easily describe investor contentment in the foreseeable future. These financial department stores have wonderful wares to offer—money that is—and they've been able to glean interest returns on this commodity whether by bonds, mortgages, loans of all kinds, so that the rise in deposits and rise in profitability have gone hand in hand. They're sound banks—and their latest statements sound good too.

The lowering of reserve requirements and current forward motion in the bond market suggest now as a not unfavorable time for purchase of bank shares. Perhaps the two issues we've discussed today may deserve your further inspection.

A Long Range Appraisal of The Electronics Industry

By ROSS D. SIRAGUSA*
President, Admiral Corporation

Electronics executive, commenting on the rapid rise of electronics industry in past 30 years, reveals that production in this field now totals some $5 billion per year, making it one of nation's largest manufacturing industries. Cites progress of Admiral Corporation as case in point, and makes a long-term appraisal of the TV and appliance markets. Holds both have a tremendous bright future.

Twenty years isn't very long in some industries but in the electronics field it covers roughly two-thirds of the industry's life span as a major commercial entity. It is less than 50 years since the invention of the vacuum tube and only 30 years since electronics came into broadscale commercial use through radio. In those 30 years the industry has risen to such spectacular heights that today production of electronic equipment of all kinds totals some $5 billion a year, making it one of the nation's largest manufacturing industries.

Ross D. Siragusa

It is always surprising to me that so few Chicagoians seem to know how important this youthful industry is to Chicago and, conversely, how important Chicago is to the industry. I don't know whether you have done this arithmetic yourself but the electronic sales of just three public-owned Chicago manufacturers last year exceeded half a billion dollars. The three companies whose figures I have combined are Admiral, and two of our very able competitors, Motorola and Zenith.

In addition there is the substantial electronic production of such companies as Western Electric and the activity of many smaller but well-known firms such as the Belmont Division of Raytheon, Wells-Gardner, Sentinel and Hallicrafters. Their production, along with that of the large number of Chicago companies which produce components used in all types of electronic equipment, would add very substantialy to our better than half billion total.

Chicago's importance to the industry can be gauged by two figures. During World War II, 35% of all electronic production for the armed forces came from the Chicago industrial district. Currently it is estimated that 20 to 25% of all electronic equipment made in this country is produced here.

Those figures, I think, speak well for the ability of Chicago's electronic industry and I am proud Admiral is a major part of it.

Admiral Corporation; a Case In Point

I believe you are most interested in having a speaker provide information on his company, the industries in which it operates and the outlook for both as he sees them. As you know, Admiral was founded in 1934 to manufacture home radios. Our sales have multiplied 1,000 times in the 20 years since—rising from $250,000 in 1934 to $250 million in 1953. Our products now include a complete line of television, radios, radio-phonographs, and household appliances consisting of refrigerators, ranges, freezers, room air conditioners and dehumidifiers.

*An address by Mr. Siragusa before the Stock Brokers' Association of Chicago, Chicago, Ill. July 14, 1954.

You will note that we confine ourselves exclusively to consumer products. The exception, of course, is military production. During World War II our production was solely military and we have again been very active in government work since the Korean War started in 1950.

Admiral concentrates on consumer products for two reasons. First, we feel that in the long run they are more profitable than industrial and other non-consumer items. Second, we believe that a company which can successfully compete in the consumer market and establish preference for its brand enjoys the greatest security. Although good will may not even be carried on the balance sheet—and it is not on Admiral's—we believe that possessing it, along with production and sales know-how gives a corporation greater stability by far than a limited list of corporate customers or even a patent monopoly.

Admiral's products are manufactured in 12 plants, comprising a total of 2,000,000 square feet of space. As you can well imagine from our sales figures, we have been steadily expanding plant capacity since World War II. As you might also deduce from the recency of our growth, Admiral's plants are also extremely modern and equipped with the newest in methods and machines.

In the 10 years from 1944 to 1953, our gross investment in plant and equipment exceeded $28 million.

While I am on the subject of plants, I would like to correct a misconception some pleople seem to have about our company—namely, that we are primarily assemblers rather than manufacturers. The reverse is the fact. We make all plastic parts for all of our civilian and government work. Plastic components represent a very important cost item in relation to over-all cost. We manufacture in two very modern highspeed mechanized plants 50% of the wood TV cabinets we use. The remaining 50% are purchased from a dozen suppliers. We also manufacture record changers for phonographs and do a vast amount of stamping and plating. Our Galesburg Plant is a complete unit for the production of refrigerators, freezers and ranges. We have invested $7½ million in that plant alone. It may not be the largest plant of its kind but we believe it is the most mechanized.

Ever since we started in business Admiral has thought in terms of mass production and a mass market. We design for highest quality, then engineer for the maximum standardization and mechanization in production.

When you are aiming for the mass market you must be prepared to spend heavily for your basics: First, research on product improvement; second, research on improvement in production methods; third, tooling and machines to put your newest developments into effect; and fourth, advertising and promotion.

We have done all of these things consistently and extensively over the years. Admiral maintains a research staff of 700 engineers and technicians. Half work exclusively on civilian products and better ways to manufacture them and half work on military research, which is highly classified.

Almost four acres or seven and one-half per cent of Admiral's total plant space is occupied by laboratories. I could cite an almost endless number of illustrations of the fruitfulness of our investment in research over the years.

Our work in plastics is typical. Admiral has consistently pionneered in the development of larger presses and bigger molds. For example, three years ago we came out with the first one piece plastic liner for a refrigerator door. On the 12 foot Admiral Dual Temp the liner has an area of 1,200 square inches. The completed product weighs only seven pounds but it is produced by a massive die weighing five and one-half tons. The press required in this operation is a 2,000 ton monster standing 3½ stories high. This development saved steel at a time when steel was critical, and gave the consumer a more durable chip-proof product at no increase in cost. Almost the entire refrigerator industry has followed our lead.

Electronics Research

Two current developments from our electronics research are the first application of printed circuits to a television chassis and the use of automation in television and radio production. In our 1955 TV line, which was introduced a month ago, we have a six-tube section employing printed circuitry. This section alone does away with one-third of the exposed and soldered wiring in previous sets.

In the field of automation, we have just started operating a battery of machines into which electrical components are automaticaly fed and from which we get a completely assembled unit representing 30% of the finished TV chassis. This equipment was designed and built by Admiral engineers.

Our laboratories spent thousands of manhours on these two developments. Then, to put them into production we made an investment of a quarter of a million dollars in tools and equipment.

The fourth basic I mentioned earlier in which a mass producer of consumer goods must invest heavily is advertising and promotion. This is necessary not only to get public acceptance, but to build and hold a hard hitting distributor-dealer organization.

A total of $100 million has been invested in advertising and promoting the name Admiral in the last 10 years. Huge as that figure is, it represents a very modest ratio to sales. For the 10-year period, Admiral sales have totalled approximately one and a quarter billion dollars. The sale of Admiral products at retail have approximated two billion dollars so that the advertising and promotion expenditure is only 5% of retail volume.

Admiral's sales are handled through 90 exclusive distributors and some 30,000 independent retail outlets. Fifteen of the wholesale distributing houses are wholly-owned subsidiaries of Admiral. These subsidiary companies operate in major markets, such as New York, Chicago, Los Angeles, San Francisco and Boston. They account for approximately 40% of our volume.

Wherever possible, we prefer to operate through independent distributors. In the large, highly competitive markets, it is not always possible to do so, however, because the television and appliance industries have grown so big that wholesale distribution in major markets is no longer a small business operation. For example, a million dollar capital is required for a distributorship in a market the size of Boston.

Admiral exports to all parts of the world outside the iron curtain. This part of our business is expanding very rapidly and is handled by independent wholesalers and retailers. They are supplied from our U. S. plants. In Canada, where we are the largest TV producer, we have our own plant.

Although I know you have full financial data available to you, I would like to highlight a few important facts about our company.

We have earned a profit in every year since the company was founded in 1934. Nineteen fifty-four is the 12th consecutive year in which dividends have been paid. Dividend payments have been consecutive because our growth has been financed by reinvested earnings. All of our plants were built out of earnings. The company's initial capital of $3,500 has grown to a present net worth in excess of $54,000,000. All of this, except approximately $2,000,000 which was provided by public equity financing 10 years ago, has come from plowed back profits.

You will see if you look at our 1953 Annual Report that as of Dec. 31 we had current bank borrowings of $6,000,000. This loan is to finance government work and represents approximately 40% of our investment in inventories and receivables on government account. Last year we made a $15,000,000 term loan from a group of banks. These funds have been used to finance inventories and receivables of company owned distributing houses in additional major markets, which I discussed earlier.

Appraisal of TV and Appliance Markets

Now I would like to give you a quick rundown on our long term appraisal of the TV and appliance markets.

In the next three years we expect TV receiver sales for the industry to total about 20,000,000 units—or an average of some 6½ million a year. Here is a basis for that figure. Within three years 95% of American families will have TV just as they now have radio. At present 29,000,000 families have sets, leaving 14,000,000 still to buy before 95% coverage is reached. In addition, new families are being formed at a rate of 950,000 annually. Almost all of them will buy TV. Finally, replacement demand among existing set owners should total at least 2,000,000 units annually for the next three years. Fully one-quarter of the present 30,000,000 sets in service are outmoded small screen models.

These figures add up to more than 20,000,000 units, and they do *not* include second set buying, which is steadily increasing.

There is another factor in television's future which few people seem to consider. TV sets do wear out and improvements are constantly being made which tend to obsolete them. They are, and will be, just like automobiles and radios in this respect. At Admiral we estimate that when TV reaches its full penetration of 95%, annual replacement business will total at least 6,000,000 black and white sets.

I have used a lot of figures, but I know no other way to give you a picture of the market that black and white TV alone has created. It is a two billion dollar plus annual industry and it has become a permanent part of the American scene.

Color TV, about which you have been hearing so much for so long, is still down the road for the mass buyer. However, very substantial progress has been made in the last year and by Christmas the first color sets with a 21-inch screen will be on the market. They will unquestionably obsolete all previous color sets.

This new tube will provide an unmasked full view 245 square inch picture, which is 25% larger than the largest color tube now available, a 19 inch circular tube giving a picture only a little larger than the standard 17 inch black and white tube. Because the tube has a short neck it will fit into a smaller cabinet making possible lower costs and much more attractive appearance.

Sets using the present 19 inch round color tube are priced from $900 to $1,000. Installation and a year's service policy run an additional $150, making a package costing anywhere from $1,050 to $1,150. Production economies resulting from the smaller cabinet and simpler circuitry required by the new 21 inch color tube should enable manufacturers to offer it for less than the price of today's 19 inch set.

With this development just ahead Admiral will not program any production of the smaller circular tube. We will jump directly from the 15 inch set we brought out in January to the new 21 inch size.

We believe there will be a luxury market for the 21 inch set, especially since an increasing number of color programs are promised for the coming fall and winter season.

Before color can be sold to the mass market, however, the price for a large screen set has to be brought down to $500. I would hazard a guess that two and probably three years will pass before that point is reached. In the meantime you may see small screen color sets offered for as low as $500. But it is questionable in my mind whether the public will buy small screen color in any quantity, so long as they already have black and white. I think this is especially true because people will remember the miraculous job the industry did in bringing the price of 21 inch black and white down to the initial cost of 10 inch sets in only three years time.

Sales of Major Appliances

Although TV is more spectacular, the major electrical appliance business is an even bigger industry. Last year, for example, the total value of major appliances sold came to three and a quarter billion dollars. And yet most major appliances have hardly scratched their market.

Only the electric refrigerator has a high percentage of coverage. And refrigerators, which today are in 90% of electrified homes, provide a tremendous annual replacement business. Based on a 12 year life, the potential replacement market for electrical refrigerators comes to more than 3,000,000 units a year. That's almost a billion dollar annual business, and I have not included the market from newly formed families.

To illustrate the virgin market remaining in other principal appliances, let me cite two examples. Only one out of seven electrified homes has a freezer. Electric ranges have been sold to only one out of four families. We expect that within five years almost half of America's families will be cooking with electricity and more than half will have either a freezer or a combination freezer-refrigerator. American homemakers are as ready for these two products today as they were for a replacement for the old icebox 25 years ago.

The story is the same, varying only in degree, for practically all the other large appliances.

You may think I am overly bullish on TV and appliances. But even if you discount my figures I think you will agree that both have a tremendous future before them.

I have been using some rather heady figures on the electronics and appliance industries and you are probably asking yourselves, "What is Admiral's position in all of this?" Here it is in a nutshell. Today more than three million of the 30,000,000 TV sets in service are Admirals. Our share of the business this year will run ahead of that ratio. In evaluating these figures remember that there are approximately 95 manufacturers producing TV sets. The best figures we can obtain indicate that Admiral holds the top sales position in the industry.

In radio, we make a full line of table, portable, and clock radios. At today's prices radios are practically an impulse purchase. For the last several years the big sellers have been portables and clock models. So long as people love music, so long as they are interested in news, and so long as housewives busy with their work wish to listen to soap operas, there will be a substantial radio business.

Admiral has been the largest producer of radio-phonograph combinations since before World War II. A year ago we entered the high fidelity field with a very expensive console unit that was judged by many critics as the best of its kind. For our new 1955 line we have produced three Hi-Fi models for the mass market—a portable, a table model and a consolette. They are priced from $100 to $150. These are true Hi-Fi instruments, with a total range from 3,000 to 15,000 cycles. Hi-Fi, which until now has been an expensive hobby for a small number of music lovers, is on its way as a popular mass product.

Admiral entered the appliance business after World War II. We had to start slowly because of the steel shortage and because we had to build production facilities. Now, however, appliances account for 35% of our civilian sales.

Admiral's share of the refrigerator business has risen from 1½% in 1948 to 6% currently. The revolutionary "up-side down" refrigerator-freezer combination we developed and introduced with our new line in January has received tremendous acceptance. We have not been able to make them fast enough to keep up with orders. Our sales of electric ranges and freezers are running neck and neck with last year when they set new records. Sales of room air conditioners will more than double our sales last year.

I'll close by giving you our appraisal of Admiral's outlook for 1954. The correction, readjustment or whatever you choose to call it that American business has been undergoing began for the TV and appliance industries 12 months ago. The signs in our business strongly indicate that it has run its course, and we believe that the drop in our sales and earnings is behind us.

We are budgeting both sales and earnings for the second half at the level of the second half of 1953. On this basis our sales for all of 1954 will come within 15% of equalling the $250,000,000 1953 total. Earnings should be within 20% of last year's $8,250,000 figure.

Gearhart Otis Wire To Crerie in Houston

Gearhart & Otis, Inc., 74 Trinity Place, New York City, announce the installation of a direct wire to Crerie & Co., Houston, Texas.

Walston Adds to Staff

Charles D. Brooks has become associated with Walston and Company, members New York Stock Exchange, as a registered representative in the company's office at 35 Wall Street, New York City.

"A Share in America"

By ANTONIO JUAREZ*

Senior, Williams High School, Williams, Arizona

In short essay, young Mr. Juarez points out investment in stocks and bonds serves two main purposes: viz: (1) it enables industry to grow and expand, thus working for the benefit of society as a whole; and (2) it provides income and increase in capital values for the investor.

America is the richest country in the world—richest from the point of view of productive resources and the American's ability to use them with discerning judgment. No other nation has greater industrial capacity than America. America has the inventive genius to develop factories, machines and raw materials to obtain the greatest good for mankind. The American genius of organization has developed industries into efficient, well-organized enterprises. The large number of industries and the goods which they produce account for our country's great wealth. What wouldn't want a share in our great American industry?

We know that the problem of meeting life's risks is a great one. There are many factors that can easily destroy life's necessary foundation for financial security. Depression, accidents, and sickness are a few of these factors. One should prepare to meet life's emergencies by savings and investments. A great number of people have surplus incomes which provide a means of security. These cash resources or reserves, when invested periodically in securities, provide the investor with cash dividends which often help to increase the value of the original investment.

Investment in stocks and bonds is the best way of enabling one's surplus income to earn more money and to work for society. With the capital invested in stocks and bonds, industry will grow and expand. In this way the capital invested is working for society by making it possible to have more products on the market at lower prices. The capital is also earning dividends for the investor.

A purchaser of stock in any company becomes part owner of the enterprise. He shares in the profits of the business and is usually entitled to vote in the company's affairs. The stocks which one can buy may be divided into preferred and common. Preferred stock precedes common stock in receiving dividends, but its rate is usually low and remains unchanged. The dividend rate on common stock is not fixed and when a company is making large profits the common stockholder may receive greater dividends than the preferred. The risk of preferred stock is less and the returns more stable.

A bondholder is an outside creditor. The company promises to pay him a stated amount of interest each year and also promises to pay back the amount borrowed at the end of some specified time.

We can see that buying a share in an American industry would be a wise thing to do and that it would be like having a share of our great country. Incorporated businesses have done a great deal to develop our country and these incorporated businesses are owned and controlled by millions of individuals.

Every person interested in investing in stocks and bonds should know that business today is led by efficient men who look on all sides of the problems presented to them and that they realize their responsibilities to the stockholders. Their employees often have a stake in their enterprises and by meeting with them as occasion demands, the organizations are kept working harmoniously. The cooperative efforts of the directors of industry and the stockholders will always make investment in industry an excellent means of building income reserves for future needs.

*Mr. Juarez is winner in the Statewide essay contest conducted by the Arizona Association of Security Dealers, which furnished him with an all-expense paid trip to New York and Chicago.

With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Henry Freeman is now with H. L. Robbins & Co., Inc., 40 Pearl Street. He was formerly with Bonney & Moor, Inc.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Booklet on natural resources of area served by the Utah Power & Light Co.—Dept. M., Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Automation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Bond Market—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Engineering Services—Illustrated booklet describing services of the Engineering Division—Foster D. Snell, Inc., 29 West 15th Street, New York 11, N. Y.

Foreign Investments in the Japanese Stock Market—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunounchi, Chiyoda-ku, Tokyo, Japan.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Is The Market High?—Study of the relation of the stock market to various basic economic indices—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Japanese Corporate Earnings for fiscal half-year ended March 31, 1954—In current issue of Monthly Stock Digest—Nomura Securities Co., Ltd., 1-chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan—61 Broadway, New York 6, N. Y.

"Let Robot Do It"—Circular on automation—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

New York City Bank Stocks—June 30th quarterly analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oklahoma—Survey of counties, cities and towns—R. J. Edwards, Inc., Globe Life Building, Oklahoma City 2, Okla.

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, N. Y.

Put and Call Options—Explanatory booklet—Thomas, Haab & Botts, 50 Broadway, New York 4, N. Y.

Railroad Earnings—Bulletin (No. 168)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

* * * * *

Baltimore & Ohio Railroad Company—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of **Monsonite Corporation** and a portfolio of **"Laggard Stocks."**

Blaw-Knox—Bulletin—Mellott, Thomsen, Pitney & Co., 220 East 42nd Street, New York 17, N. Y. Also available are data on **Glen Alden** and **Joy Manufacturing Co.**

Bulova Watch Company—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. In the same circular are data on **Colgate Palmolive Company, Filtrol Corporation**, and **Revere Copper & Brass, Inc.**

Burton Manufacturing Co. — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Canadian Industries, Ltd.—Analysis—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Corroon & Reynolds—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

I. G. Farben Successor Companies—Information—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Houston Oil Company of Texas—Analysis—W. A. Fine & Co., 1 Wall Street, New York 5, N. Y.

Mueller Brass Co.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

National Aluminate Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Pan American Sulphur — Analysis — Walston & Co., 35 Wall Street, New York 5, N. Y. Also available is a leaflet on **Central Illinois Electric & Gas.**

Pittston Co.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Resistoflex—Analysis—Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

A. O. Smith Corporation—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Snap-on-Tools Corporation — Report — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Texas Eastern Transmission Corp.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Continued from page 2

The Security I Like Best

development of this country and also due to partial depletion of natural resources, the United States has become an importer of these metals and hence the recovery of such secondary metals has become increasingly important. The waste material industry is now over a $1 billion industry.

Upon fabrication by customers using various kinds of metal, there is left over a large quantity of the original metal which sometimes exceeds 50%. An example is a manufacturer of brass door knobs. After the required round discs are cut from the sheet of brass, the frame is left which can be used only as scrap. To avoid re-torting such metal it has been the custom of the mills to repurchase the scrap from their customers through an agency which has facilities for picking up the metal by carload lots and grading and classifying it before reselling it to the mills. This business has continued in bad times as well as good. When metal is scarce this practice aids the mills and when metal is in good supply it aids the customer or fabricator.

Mars Metal Corporation acts as representative for acquiring secondary non-ferrous metals for a number of mills including Chase Brass and Copper Co., Scovill Brass Co., American Brass Co., Bridgeport Brass Co., Revere Copper and Brass Co., Mueller Brass Co., Western Brass Co. (a subsidiary of Western Cartridge Co.), and also Aluminum Company of America. These contracts have been in effect over a period of years and have obviously proved satisfactory to both parties.

The corporation is located in San Francisco and owns about two acres of land at the foot of Tunnel Avenue, just outside the city limits, with a spur track to the Southern Pacific Railroad main line from Los Angeles. In addition to offices the site contains a steel building of approximately 15,000 square feet with covered space for smelting operations and storage, and is equipped with smelting kettles, furnaces, baling machines, fork lifts, trucks, etcetera.

Diversification

The secondary metal activities of the corporation is the "bread and butter" business which returns a definite profit from year to year. The reputation which has been established gives Mars Metal an advantage over competitors. However, the management has been recently making concrete plans for expansion and has looked for new industries which offer greater promise of lucrative returns, and has spent considerable time searching for outlets with greater potential, where the investment of venture capital could be kept at a minimum. This, without curtailing the scrap metal activities. In line with earlier demonstrated processes which have proved satisfactory, arrangements are being made to have substantial companies take on and finance the manufacturing and distribution of the new items.

Safety Socket

As a result of the search, by qualified experts, Mars Metal has acquired five United States patents, together with improvements, on an electric light socket of a completely revolutionary nature, the main feature being that it is completely shockproof, waterproof and fireproof. It is molded of plastic and has no metal parts, and has been approved by Underwriters Laboratories and U. S. Testing Laboratories. The socket has been introduced in the market on a small scale by the former patent owners in Christmas Tree Lights, where the element of safety is of paramount importance. A subsidiary has been formed, The Safety Electric Corp., to handle the manufacture, sales promotion and further developments of the Safety Socket. George J. Lewis, former Executive Vice-President of Paper Mate Pen Co., is the President. It should not take more than about $100,000 to launch the production and promotion of the socket program. Mars Metal Corp. owns a controlling interest in The Safety Electric Corp. through an exchange of stock.

Permanent Fuse

Mars Metal has acquired an option on a new type of permanent circuit-breaker or fuse on which a U. S. patent has been granted. This fuse, by breaking the circuit without burning or melting connections, may be re-set by merely pressing a small button built into the head of the fuse. This will be submitted for testing by Underwriters Laboratories and should add a million dollar market. Quantities of fuses, in addition to household use, are required wherever electricity is used for power or light. Potential market is military as well as civilian and covers the field of airplanes, Pullman cars, electric precision instruments, automobiles, and numberless other fields. This will remain under the direct ownership of Mars Metal but could be easily handled by the sales organization of Safety Electric Corp. with little added expense.

Plastics

Mars Metal has a majority control of Alpha Plastic Corp., which has been formed to manufacture, by a new process, nylon powder out of waste products. The powder is used for injection and compression molding. Nylon raw material is now selling for $1.50 to $1.65 per pound. Alpha expects to produce it at a cost of 40c to 50c per pound. Machinery is on order and should be capable of producing about 8,000 pounds of nylon powder per day. Mars Metal estimates that its investment in connection with the above program will not exceed $100,000.

Possible Additional Interests

Mars has made an offer to the U. S. Government to buy, subject to a royalty of 8%, the right to recover from a U. S. Government owned slag-pile in Texas diverse minerals. The pile consists of ore imported by the government in war-time for extracting tin. The management of Mars is of the opinion that recoverable minerals may have a value of over $6 million. This is a field in which Mars Metal is experienced. Similar projects have been handled in the past on a joint venture basis with large metal firms such as Phelps Dodge and others obviating the need for direct investment on the part of Mars Metaal.

The present capital structure of Mars Metal Corp. shows a mortgage on real estate of $48,112.80, which is being retired at the rate of about $900 per month, a bank loan of $168,149 which is part of a revolving credit; authorized common stock, 3,000,000 shares 10c par, issued 1,621,500 shares; class A participating preference stock (the stock mentioned herein) authorized 200,000 shares 10c par, issued 199,000 shares. An additional 120,000 shares of class A stock is being registered with the SEC.

The class A stock is redeemable at $3 per share plus one share of common stock. It is non-cumulative but before any dividends may be paid on the common stock the first net earnings each year are to be applied to the payment of dividends upon the outstanding A stock until an aggregate of 15c per share for each year has been paid. Thereafter the balance of net earnings up to $60,000 must be applied to the redemption by lot at $3 per share and accrued dividends to the date of redemption of outstanding shares of class A stock, after which the A and the common stock shall participate share for share equally in any dividends declared out of net earnings.

Class A stock was first issued July 8, 1953, at $1.50 per share and is traded over the counter. It has paid the full 10% dividend of 15c for the year. Although the whole set-up is speculative so far as general plans are concerned, the corporation is earning more than enough to pay dividends on class A from the secondary metal business, even after quite large expenditures exploring and acquiring the new industries mentioned above. The need of paying the high dividend should be conducive to calling the stock as soon as possible.

Air-Conditioning Needs Only Sales Job to Become a Universal Comfort

By GEORGE S. JONES, JR.*
Managing Director,
Air Conditioning and Refrigeration Institute, Washington, D. C.

Mr. Jones reveals recent rapid growth of air conditioning, which he ascribes to a universal desire for physical comfort. Sees further expansion, depending largely on refinement in the air conditioning process and lower cost equipment, combined with improved selling and promotional techniques. Calls for cooperation in instalation and service by electric power companies as aid toward widespread air-conditioning.

Air-conditioning, that is summer-comfort-cooling, is so new that everybody in the room can remember their first ride in an air-conditioned train, their first meal in an air-conditioned restaurant, their first visit to an air-conditioned theatre, their first purchase at an air-conditioned department store, and their first night's sleep in an air-conditioned hotel room. Yet, today, competition for the consumer's dollar has created a business of $1½ billion annually in these commercial and industrial phases of air-conditioning and no longer are new buildings and facilities of this type built without including air-conditioning as regularly as they include heating.

Geo. S. Jones, Jr.

As dramatic and as important as this segment of air-conditioning is, it is the air-conditioning of the home that is even more dramatic and I think, at this time at least, even more important. We would like to tell you some of the reasons for this and to explore with you the almost fantastic potentials of this rapidly growing industry.

In 1953 there were 1,125,000 room air-conditioners manufactured in this country. That is almost three times the number produced in 1952 and as a matter of fact it is almost as many as have been produced in all of the years before 1953. That this phase of our industry is still growing is evidenced by the fact that in the first quarter of 1954 there were produced 95% more room air-conditioners than in the same period of 1953.

In 1953 there were installed in this country approximately 55,000 central station type of air-conditioning units to completely air-condition homes. This is up nearly four times over 1952 when our records show approximately 15,000. Public interest and manufacturers' confidence in this area is evidenced by the fact that sales for 1954 of the so-called central type of residential air-conditioning units should exceed 100,000 and should amount to approximately 125,000 units. The people who are investing their money and their future in the air-conditioning industry estimate that some five years from now, perhaps by the year of 1958, there will be an annual sale to the homes of this country of 700,000 of these complete air-conditioning units.

Reasons for Phenomenal Growth

One of the reasons for this phenomenal growth, I am sure, is that the weather is a perpetual subject of conversation. Physical comfort is of prime importance to all mankind. For centuries man moved across the face of the earth somewhat in proportion to his ability to keep himself warm when the temperature dropped below the comfort zone and I think it proper to say that the standard of living is pretty much in direct proportion to the number of centrally heated homes. Certainly the 25,000,000 homes that are centrally heated in this country are indicative of the peoples' desire to be comfortable.

Just about 50 years ago, 1902 to be exact, Willis Carrier used the refrigeration cycle to control the humidity in a lithographic plant right over here in Brooklyn and this is usually accepted as the beginning of the air-conditioning industry in this country. Just how long it will take us to catch up with the number of buildings that are heated in the United States I do not know but certainly that is the measure of our potential. How soon this potential will be realized depends on several things; it depends on further refinements and lower costs in order to bring the products down within the purchasing power of the lower income brackets but of equal, if not greater importance it depends upon our ability to tell the full and complete story of just what air-conditioning is, what do we mean by air-conditioning, what are its benefits, how does it effect, and how is it effected by, the various segments of our lives, and how and when and where can that story be best told.

Some Outstanding Selling Jobs

We are not bringing to you any outstanding sales promotion or selling techniques, although some outstanding jobs have been done by individual companies. We would rather prefer to put stress on the fact that many companies listed among the blue chips of American industry have employed their tried and true techniques and facilities and many new-comers to this particular industry have brought with them a freshness and a vigor in the application of the techniques that they have learned from the successful manufacturers and distributors of consumer durables. We would like to point out that practically every city in the United States of any consequence has carried a special section on air-conditioning in their local newspapers this spring. National magazines have carried article after article on the technical problems and on the benefits and in answers to questions that are being asked more and more every day. Perhaps that is the interesting thing from a sales manager's standpoint about our industry, there are no companies who dominate completely this industry, although there are some who are doing more than that 10% which is the first objective of any planing in any segments of our industry. A recent survey by a national magazine attempted to establish brand preference for room air-conditioners and found that no brand was preferred by more than 5.4%. Incidentally this same survey concentrating on southern markets found that 15% of the people surveyed own conditioners today and 45% said they would buy air-conditioners within the immediate future. It is this broad interest in our industry that we want to bring to your attention today. We are particularly impressed by the interest shown in the part of builders and on the part of the mortgage financing organizations. We are convinced that in the not too distant future the lack of air-conditioning in the home will be a definite factor of obsolescence.

*An address by Mr. Jones at the "Air Conditioning Meeting" of the New York Sales Executive Club, New York City.

The Problems Ahead

I would like to emphasize that while there seems to be no clouds on the horizon as far as our industry is concerned, there are problems that must be solved by the individual companies if they are to remain and be successful in this industry.

I am sure that we can depend on the engineers and scientists, on the production manager and the man on the assembly line to get the lowered costs and the continued improvements that they have contributed time and time again to American industry. For 40 years I have been engaged in the distribution side of our economy and certainly at no time during those many years have I been more aware of the important part that sales management and all of the components of our distribution system must play in this relatively new industry.

It would be unfair to say that our industry has done an inadequate job in selling the idea of air-conditioning. But the fact remains that we have stressed the luxury-comfort features. This may not be unsound in the initial stages of a new product but to reach the mass market a much better job must be done in carrying to the public the real story of air-conditioning . . . the story of health . . . of efficiency . . . of the down-to-earth utilitarian value of air-conditioning — as it protects from dust and pollen and from man-made fumes and dirt, soot and odors . . . a more aggressive job of pointing out the savings by avoiding ill health, by reducing or eliminating the cleaning of furniture and fixtures and of clothing.

We lived for many, many years without electricity—without gas — without running water — and without convenient heating. They are accepted requirements—if not necessities—in our everyday lives now. We even got along without automobiles which is difficult for our teen-agers to realize today. Just as these things are accepted today, so will air-conditioning be accepted on that tomorrow when our industry becomes saturated all the way from the top to the bottom with the knowledge and the facts of air-conditioning.

I do not think I'm being unfair to say that much of our growth today has been without that kind of selling that we as sales executives know this country is capable of doing.

There are other problems the sales manager must face.

Need Cooperation of Electric Companies

Regardless of how good the product is, it must be properly applied. We need adequate installation facilities, we need adequate and permanent service facilities, we need above all else an integrity of purpose and ability to tell the correct and complete story and to bring to the attention of the buying public the many benefits of this product. We need cooperation with and from the utility companies who are facing a tremendous job in supplying adequate electrical services. We need a united effort along with all of those engaged in the sale and installation of electrical appliances of all kinds to see that our homes and our buildings are adequately wired. We need in other words to demonstrate that unique phenomenon of the American way of life which is to create wants and to provide facilities for having those wants supplied by the product which we have to offer.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Everett W. Wheelwright, Jr., is now affiliated with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Joins Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harry A. Stathopoulos has become associated with Palmer, Pollacchi & Co., 84 State Street.

Joins Sutro Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edwin W. Durand has become affiliated with Sutro & Co., Van Nuys Building. He was formerly with Standard Investment Co. of California.

W. O. Kurtz, Jr. V.-P. of Am. Bank & Trust

CHICAGO, Ill. — William O. Kurtz, Jr., has been appointed Vice-President of the American National Bank and Trust Company of Chicago it was announced by Robert E. Straus, Executive Vice-President. Mr. Kurtz has been with the bank for many years.

American Secs. Branch Opened in Hartford

HARTFORD, Conn.—American Securities Corporation has announced the opening of an office at 75 Pearl Street, with Elisha C. Wattles in charge.

Mr. Wattles, who has spent more than 35 years in the securities business, joined American Securities earlier this year. He has lived in Hartford since 1924 and was formerly with Coffin & Burr, Incorporated.

Labor-Management Relations: How Accountants Can Help

By A. W. RUCKER*

President, the Eddy-Rucker-Nickels Company
Management Consultants, Cambridge, Mass.

Management consultant lists as actions wherein the cost-accountant can contribute substantially to improved labor-management relations: (1) developing and making clear the distinction between labor cost per man-hour, per unit of product, and per economic unit of production value; (2) developing double-entry cost accounting, and (3) developing a realistic and true measure of productivity as guide in wage policies and as means of gauging a firm's economic contribution

In discussing the accountant's and the corporate treasurer's contributions to labor-management relations, it seems to me we have first to deal with a Mystery and a Myth.

Allen W. Rucker

Few of us have taken the time to reflect that accounting, to nearly all workers and fellow human beings whom we call "labor," is a mystery, wrapped up in a puzzle and concealing an enigma. Its language often is as different from shop language as German is from Spanish; its symbols are just as often as uncomprehensible as those on some ancient Egyptian pyramid; and the end result of our computations frequently means less to the worker than an astronomer's computations of the positions of the planets do to you and me. Let's mark it down, when we approach labor-management relations, that accounting is a mystery to most men, and one which we must first clarify.

Most people are not figure-minded; many of them even lack the language that goes with the figures. And of course their well-known tendency to think or even openly to declare, "Figures don't lie but liars do figure," is the Number One hurdle to mutual understanding.

Out of this mystery and in behind this hurdle, there has grown up an amazing myth. Some say the myth really began with a little lawyer who sat writing in the British Public Museum Library about a century ago; what he wrote has probably influenced the thinking and the lives of more nations and more millions of human beings than nearly any other man of the same century. The book which contained this myth is printed in almost every known language; its name is "Das Kapital," and the man who wrote it was Karl Marx. The myth which Marx propounded was simply this: "Under the private enterprise system, the position of the working man must and does steadily deteriorate; the worker is robbed of his rightful share of the fruits of the labor he exerts."

This myth has persisted for more than a century; you can easily test it for yourselves. If I were to ask you now "What share of American production does the American worker receive?", how many could answer? If I were also to ask you "Is that share less today than it was ten or twenty of fifty years ago?" how many hands would show as, "yes"? Were a Gallup poll taken in Worcester or in Massachusetts and New England, how many would likewise say, "Yes, the worker's share in production is growing less"?

Our opportunity as accountants and our great contribution to labor-management relations can begin at the point where, in our own firms, we settle once and for all the myth of Marx and the mystery of our own figures. For instance:

What is the share of labor in American manufacturing output, What part or percentage of the value of production goes to payment of hourly-rated factory workers? And is that share greater, or less, today than it was at the time of Herbert Hoover, or Woodrow Wilson, or William McKinley? It is worth knowing that:

(a) Total wages paid each year in American industry are 39.3% of production value, taking all manufacturing as a whole; and,

(b) This percentage, with only minor changes, has persisted since the beginning of this century.[1]

And, just to keep the books balanced, the amount of production value for each $1 of wages paid in U. S. Manufacturing tends to be consistently $2.54.

These figures are not accounting abstractions; they are computed from a highly official record, the U. S. Census of Manufactures. That Census is one consisting of the actual book records of some 250,000 individual establishments.

It turns out that the American private enterprise system develops $2.54 of production value for every dollar of wages paid and pays wages consistently averaging 39.395% of production value.[2] In brief, Karl Marx propagated a myth, to state the matter in the best light.

Since I developed these figures some 20 years ago simply by applying my own cost-accounting training, I have found that similar near-constants exist in almost every type of manufacturing business. The figures will naturally differ for each business, but they tend to be consistently the same year after year. Two years ago, in the plants of a mid-West chemical manufacturer, the industrial engineers and cost accountants assured me that it could not be so in that firm; they had cut labor costs by 18.5% in the preceding five years. Yet. when the economic audit was made for those plants, labor's share of production value in every one of those years same out to 16.32%, with a deviation from that five-year average not exceeding on-half a percentage point in any year.

Just this past week, a client in a machinery business sent me the record of labor-time reduction in his plant within a three-year period. The reduction was 17.8%. Nonetheless, in all these years, he paid labor as wages an annual amount of 44.53% of production values.

How is it possible to reconcile this constant sharing with labor and the undoubted reductions in labor-time? Here is one of those mysteries that the cost accountant can help to solve and, with the solution, aid to start a new era of understanding between labor and management. My own approach is along these lines:

Labor Cost Per Hour and Labor Cost Per Unit

If you will take your own records and compile a five or ten-year record of average hourly earnings in your plant, you will find that the trend is constantly upward. This is an easily available record. The effect of the upward trend of average hourly earnings in the plant is to offset and to counterbalance the downward trend in average man-hour per unit of output.

But, and here is the core of accounting mystery, few plants indeed have any physical measure of units of output. Unless we accountants can develop such a measure, or its equivalent, we actually do not know, on a plant-wide perspective basis, the average labor cost per unit. Those of us who have tried to construct some measure which would correctly express total plant output in physical units are willing to say that it is impossible in any multi-product plant, especially in any job shop. And for practical purposes, I think that to be the case. Even more important, even if we constructed such an index, it would be increasingly less useful with the passage of time and the changing specifications of our products. So, for multi-product plants, we have no way of obtaining an average labor cost of unit of product for comparison with average labor costs per hour of time.

However, we are not without recourse. There is one measure common to all products. It is dollars of "production value," i.e., the market worth of your output minus your costs for materials, supplies, etc. That figure will be the economic worth of your own production efforts, as distinguished from the costs of materials, or in other words, your own Production Value. This figure reflects not only changes in your prices and labor wage-rates, but also changes in specifications of your products. It is presently the most accurate method I know of measuring economic or market production. And it enables one to find his own figures for (a) labor-cost per economic unit and (b) with his payroll, to find his cost per labor man-hour. For example:

Using figures from the U. S. Census of Manufacturers and deflating Production Value (value added) by the price index of the Bureau of Labor Statistics, we have for any series of years the economic output of all manufacturing combined in constant dollars. In 1914, to illustrate, we used 1.30 man-hours per dollar of economic output; in 1953 we used only 0.41 man-hours. Thus, labor-time per economic unit has been cut no less than 68.46% in 40 years, a phenomenal achievement in productivity improvement.

In the same 40 years, however, average labor earnings per hour have risen to 791% of the 1914 level. Had it not been for reduction of 68.46% in labor-time per economic unit, labor-cost per unit would have risen as much as hourly labor costs. As shown by Figure 2 here, we have had a constantly widening spread between (a) *hourly* labor costs and (b) *unit* labor costs. This spread measures "labor savings" in dollars as shown on Figure 2, for the period 1914 to 1952, inclusive.

A similar approach with the figures of a single firm will enable you to disclose the difference between labor cost per unit and labor cost per hour. By so doing you will have made a lasting contribution to labor-management understanding.

You may make still another contribution, perhaps of even greater value.

Double-Entry Cost Accounting

I may shock you slightly by saying that too much cost accounting is scarcely more than single-entry bookkeeping. We duly enter every item of cost, often down to the split-minute of machine-time, and we end up with a tabulation looking like a Federal budget, but all the items are in one volumn. What about the offsetting credit to those charges?

This is no idle question. If we stop a moment to reflect, we easily see that labor is paid by the hour or by the piece, but is kept in darkest ignorance of what value the firm received for the part the worker played. At the heart of most arguments about wages is this same ignorance; the worker does not know what his firm got for his hour of work, or for each operation or piece he turned out. He literally cannot begin to balance the books in his mind. So, it isn't strange if the typical workingman begins to feel that somehow labor doesn't receive its proper or equitable share. In other words, so long as the hourly compensation bears no relation to the economic worth of the effect, or no visible relation, it is hard to blame a man and his union for feeling and acting as if that share were too small. I suspect that one of the great pressures behind the demand for ever higher wage rates per hour is the fairly strong conviction on the part of labor that it just doesn't get its fair share.

This conviction is naturally strengthened whenever the industrial engineer or methods engineer, with his new ways of doing things and his stop-watch, sets in to cut labor-time on an operation. The worker sees before him the imminent likelihood that his working time is being curtailed; he has no way of knowing that the sales department is meeting competition and likewise curtailing the firm's income from that operation. In the absence of double-entry cost accounting, the amazing thing is that there is not far more pressure than exists for increasing wage-rates.

Here is an area of opportunity wide open to the cost accountant who would make a genuine contribution to labor-management understanding and cooperation. When one goes fully into the matter, he usually finds that most, if not all, of the reductions in unit costs sooner or later find their way into the hands of the customer in the form of lower prices. Would it greatly surprise you to see from the figures of our overall manufacturing record of the past 40 years that:

(a) Costs per unit have been cut almost 70%; but

(b) Prices per economic unit have likewise been cut the same?

In other words, it can and probably does help labor-management relations for employees to know that improvements in productivity are passed along to the consumer in the form of lower prices; they are not retained as added profits by management, certainly not for long.

Earlier this year, I had an interesting experience in this connection. A multi-plant firm expressed a genuine interest in the Rucker Plan, but objected to allowing for labor a constant percentage share of production value. Briefly, the objection was based upon the contention, backed with ample evidence, that plant executives had markedly reduced labor costs and increased productivity without any incentive to employees other than regular rates of pay. It turned out that the executives were absolutely correct in their figures, as our Economic Audit clearly showed; the only mistake was that the figures were not carried out far enough to reveal the two most essential facts:

First: The disconcerting fact that prices to the customer had been reduced exactly as much as costs had been cut; and

Second: The gratifying fact that with the price reduction, the total volume of output had risen so much as to provide a rich reward in added employment, pay and profits.

These are the sort of facts that we cost accountants can and perhaps should develop and reveal to management. In blunt terms, we can and perhaps we should develop double-entry cost accounting and thereby clear up much of the mystery as to what the figures really mean.

Measuring Productivity

Now there is a third area, adjacent to the two which I have just discussed, which presents an attractive opportunity for advancement to the cost accountant with imagination and ambition. Let me develop it a bit in detail.

For some years past, we have heard much of labor-management discussions and of some contracts based upon an "improvement factor." General Motors led the way, agreeing to increase wage-rates each year by 4c an hour, or about 2¼%. The justification for that increase is the estimated average annual increase in productivity per man-hour, said to average

Specimen Rucker-Plan Standards

Productivity, per $1 of wages	*$2.1887*	*100.00%*	
Labor's Share	$1.0000	45.69%	(+1.15%)
Management's Share	1.1887	54.31	(+1.15%)

*An address by Mr. Rucker before the Worcester Chapter, National Association of Cost Accountants, Worcester, Mass.

1 SOURCE: "Progress in Productivity and Pay, All U. S. Manufacturing, 1914-1952"; The Eddy-Rucker-Nickels Company, Cambridge, Mass.

2 The figures, 39.395% as labor's share of production and $2.54 per dollar of wages, are the Rucker Near-Constants. The standard deviation is plus 1.665%. See "Progress in Productivity and Pay," supra.

nationally about 2¼ to 2½ annually.

As we come to hear more and more about productivity, many of our firms are going to discover, to their cost, that they have no measure of productivity on a plant-wide basis. Clearly, the national average will have no necessary relation to the average in your plant. Is it less than 2¼%? If so, then an increase yearly in your wage rates by 2¼ to 2½% will surely increase your costs, tend to raise your prices or to depress the earning capacity of the business of narrowing margins or curtailing demand.

Somewhere in the top managerial ranks of every firm, there must be some harassed executive who would give a great deal to know precisely what productivity gains his firm is making — and whether or not 2½% as a wage increase is too much, too little or just right. And how much it has already been utilized to give the customer a price as low as that of his competitors.

Just this past Monday, I saw the figures for a job show (tools and dies), broken down by individual orders, according to the method I am outlining below. For over one-half of these products, the figures were horrifying; had it not been for a few orders in the lot, the firm could not possibly have kept its head above water. Yet, according to the regular cost-accounting method, every single order showed a profit. And there wasn't anything wrong whatever with the cost accounting, except that it was single-entry accounting. This firm has only recently given a "productivity improvement increase" and is now awakening to the sad fact that its average gain in productivity, all products included, does not come anywhere near to the increase in wage-rates.

The lack, in this instance, is not one of correctness and accuracy in costs, but one of reliable productivity measures. This is the usual lack, indeed it is almost a universal lack; there just are not any measures of plant-wide productivity in other than a few firms. And I consider that lack due largely to single-entry cost accounting, to too much emphasis on items of expense, and too little or no consideration of the counter-balancing real income. For instance, how many executives actually know what the production value income is in their plants, taken as a whole or by individual products or orders? And how many know the relation of wage costs to production value, and of production value to labor man-hours.

In one well-managed plant, we have re-engineered the entire cost system, not only on a plant-wide basis, but by individual products. The resulting Rucker-Plan standards for the entire plant look are as shown in the accompanying tabulation.

Any job which will not yield $2.1887 for each $1 of labor cost comes under immediate scrutiny; first to make sure the cost sheet is properly figured; second, if so, to make sure that the industrial engineers and methods men have done their utmost; then third, to put pressure on the sales department either to obtain a price sufficiently high to yield $2.19 per wage dollar or to reduce the orders taken for jobs which yield less than $2.19 per wage dollar.

Conversely, any job which does yield $2.18887 per $1 wages or better is the signal to put the sales emphasis on such jobs, assuming the figures are correct and can be realized in actual operation.

In the final analysis, the cost accountant who can provide a complete picture of the economic end-results will be a man marked for promotion. These end-results must be, I think, expressed in terms of the firm's economic contribution. That is not total sales value or sales value per unit of product; it is, instead, production value. The reason is simply this:

"total sales value of output includes two sets of values; the value of the raw materials, supplies, power and a variety of other items bought from others, not produced by the firm; and the second set of values are those added to raw materials by the processing in your plant. It is the change in the form, dimensions, color, chemical nature or other changes in raw materials, to convert them into a product your customer wants. That value is your own production value, distinct from the purchased cost of raw materials produced by others."

Production Value is 100.0% of the true production in any plant; it is also 100.0% of the plant's internally disposable income. That is the figure to obtain, and to which all others must be related. For instance:

(a) What is your production value per $1 of wages; per man-hour of labor-time?

(b) How much is it changing, and is the change an improvement or a reduction in productivity?

(c) What should management do about it in wage negotiations; in selling?

Here is an entirely new area, full of promise and prospect for the man of imagination who insists on seeing the whole, as well as the individual part, of this intricate economic interaction of wages, hours, productivity, pay, prices and costs.

Summary

Out of that relationship can come an understanding on the part of management and a means of developing that same understanding on the part of employees and their unions. I can say that the man who initiates and who equips himself to develop such information and understanding will be marked for promotion and advancement in a degree that may surprise him.

Any and every plant, with few exceptions, needs better figures in the sense that they are more comprehensive and provide perspective. In this paper, I have listed and touched upon three areas wherein the cost accountant can contribute substantially to improved labor-management relations and to his own advancement. They are:

(1) Developing and making clear the distinction between labor cost per man-hour, per unit of product, and per economic or dollar unit of production value;

(2) Developing double-entry cost accounting, wherein not only input of effort and expenses are shown, but also the resulting output of value;

(3) Developing a realistic and true measure of productivity as a guide in wage policies and as a means of gauging the firm's true economic contribution.

These are new fields for most; but this is a new age in more than one respect. New fields can be fields of opportunity, not only for personal advancement but for genuine contributions to the advancement of human relations. You can help to make our private enterprise system more intelligently democratic and, also, our democratic system more intelligently capitalistic.

Slayton Adds to Staff

(Special to The Financial Chronicle)

QUINCY, Ill. — James McN. Duncan is now with Slayton & Co., Illinois State Bank Building.

With Harris, Upham

(Special to The Financial Chronicle)

BOSTON, Mass. — Bernard P. McParland is now with Harris, Upham & Co., 136 Federal Street.

FHA Termed Greatest Boon to Home Owners

George C. Johnson, President of the Dime Savings Bank of Brooklyn, largest savings bank holder of home mortgages, says FHA is one of few Federal agencies that operates at a profit.

The Federal Housing Administration "has been the greatest boon ever conceived to benefit the home-buying public," declares George C. Johnson, President of The Dime Savings Bank of Brooklyn, which originates and holds more home mortgages than any other savings bank in America.

George C. Johnson

Mr. Johnson's comment was made as the FHA observed the 20th anniversary of the formation of that Federal agency. Pointing out that "The FHA is one of the very few Federal agencies that has cost the taxpayer nothing, and, in fact, has operated at a profit," the banker stated:

"Until establishment of the FHA in June of 1934, the purchase of a home was extremely difficult for the average family. Usually it was necessary to scrimp and save for many years to accumulate the high down payments until then required, ranging from 35 to 50%. Then, when this money was finally accumulated, a three or five year straight mortgage was written at high interest rates. When the mortgage came due at the end of that short term, few home-buyers were able to pay it off and the mortgage had to be renewed, for which large fees were charged. Frequently, unscrupulous lenders would foreclose, since such action was entirely within their rights if the mortgage was not paid when due. It was rare that the average family of moderate means was able to own its home free and clear.

"But all that was changed with the advent of the FHA. It brought with it an entirely new concept of mortgage financing, and has made home ownership possible for millions of families. Today, nearly 60% of the families in America either own or have substantial equities in the homes in which they live.

"This has been accomplished through low down payments, low interest rates and long-term self-amortizing mortgages, all of which were developed by the FHA as one of its cardinal policies.

"After a low down payment, compared with what was formerly required, an FHA-insured mortgage is written for a term of 15 to 25 years. Equal monthly payments on principal, interest, taxes and insurance are made by the home-buyer. In this way, his monthly payments are no more than rent for comparable living quarters, and every month he is increasing the equity in his home. At the end of the mortgage term, he owns his home free and clear.

"Foreclosure is extremely rare today. During the past 20 years, the FHA has insured more than 20 million loans aggregating nearly $31 billion. Total foreclosures last year on all types of home mortgages were less than 21,500. This compares with 252,000 foreclosures in 1933, the year before the FHA was established.

"It must be remembered that the FHA does not lend money. It simply guarantees that the mortgage lender will not lose in the transaction. Because of this insurance, it is possible for lenders to write mortgages with lower down payments and for longer terms than would be possible under most state banking laws.

"Actually, the FHA is a first-rate example of government and business in partnership with no cost to the taxpayer. The FHA has reduced the formerly extremely high price of mortgage credit by spreading the risks over the entire nation. Because of the approximate 40 cents per month per $1,000 of mortgage insurance which the FHA receives from the borrower, the FHA has operated at a profit through the 20 years of its existence. Early this year, the FHA announced that it had repaid to the U. S. Treasury the $65,500,000 advanced to set up its insurance program, plus $20,350,000 interest at 2¼%.

"The Dime Savings Bank of Brooklyn has supported the FHA program from its inception and today we have nearly 13,000 FHA insured loans in our mortgage portfolio with the current balance in excess of $86,000,000. Relatively few of these 13,000 home buyers would have been able to embark on home ownership had it not been for the FHA. In addition, we hold more than 21,000 home mortgage loans guaranteed by the Veterans Administration, and these two types of government-backed loans account for approximately half of the 67,600 home mortgage loans now held by our bank.

"The home building industry is a cornerstone in the American economy, since one out of every six persons gainfully employed depends upon that industry for his livelihood, either directly or indirectly. In turn, the FHA is a cornerstone in home building, and has been for 20 years. This agency must never be allowed to become a political football, nor allowed to be shoved aside into some minor position in the Federal Government. Instead, I sincerely hope that by the end of another 20 years, the FHA will have helped make ownership possible for millions more American families."

THE MARKET... AND YOU

By WALLACE STREETE

Stocks have spent the greater part of two weeks now proving that they can back and fill at historically high levels while a handful of favored groups take over the spotlight on strength enough to attract profit-takers at the first sign of a pause. This type of action was especially prominent in the aircrafts which soared for several successive sessions before bumping into a somewhat sharp selloff. At the climax, which came as the week started, no less than seven plane issues dominated the eight most active issues to post something of an unusual show of unanimity.

* * *

The preference for aircrafts was also somewhat surprising since their spectacular gains earlier this year had carried them as far as appropriate to discount the splits that came along subsequently and the excellent earnings which also fulfilled all the hopes. But their siesta was brief and the ability to spurt ahead again despite statistical considerations and the fact that the general market was in something of a stalemate, bred a follow-the-leader popularity.

* * *

Atomic Energy a Magnetic

Issues that have any connection with atomic energy also built up an occasional following, Carborundum, Vanadium Corp., and Climax Molybdenum showing an ability to spurt occasionally. Unlike the aircrafts, however, they didn't feature in setting all-time highs; notably Vanadium, which has made impressive strides in recent years, but still only reached about half the level of its record high of 1929. Nevertheless it has tripled in price in half a dozen years.

* * *

Firming Airlines

The airlines are a similar case of a return to moderate popularity with little spectacular about it. Pan-American World Airways was something of a trading item, appearing on good volume more days than not and at the best price level in half a dozen years. Braniff Airways, dividend-less for a couple of years, which set a postwar low this year, also turned firmer and occasionally featured in fair activity.

* * *

For the oils it was a case of more of the same, general weakness persisting as more companies reduced their refinery runs to keep inventories of finished products in line. The oils dominated the daily new lows, notably Tide Water, Wilcox, Pacific Western and Shell Oil, most of them repeaters. The Standard group, and Standard of California in particular, were a bit more steady, although Indiana Standard was a softer item with some definitely week spells.

* * *

Royal Dutch Petroleum, which withdrew its listing from the Stock Exchange 18 years ago rather than comply with the accounting regulations of the Securities & Exchange Commission, returned to listed trading this week which, considering the low state of the petroleum section, was a somewhat inauspicious bit of timing. When the shares were removed from trading in mid-1936, the issue had had a range that year of 48-57. In counter trading the following year the stock reached a high of above 80. Since then there have been a couple of stock dividends, including 20% in 1946 and 2% in 1952. The initial sale as it returned to listing was 59¼.

* * *

Textiles Simmer Down

The fanfare started by Burlington Mills, first with an offer for Pacific Mills at a 14-point premium and then for Goodall-Sanford with a premium of around $7, simmered down largely although Goodall was able to show good market action occasionally. The Pacific Mills tender was all over so quickly, with a weekend intervening, that holders able to take advantage of the offer apparently were only a handful. With a longer deadline on the Goodall offer, the $20 tag spurred a rather unusual group of cash sales so that the stock could be tendered immediately.

* * *

Rails continue to lag with the consolation that while they aren't overly buoyant on moments of strength, neither are they particularly conspicuous when there is selling around. An exception might be Missouri Pacific which occasionally races ahead and did so this week after a rather protracted rest. This stock, available at a few pennies over $4 as recently as 1950, has been holding in a range some 10 times that figure as the various plans or recapitalization come up and are scrapped in turn. The peak of the hopes was reached in 1952 when it approached the $60 level.

* * *

Outstanding Secondary Issues

Mack Trucks continued as something of an enigma, with all sorts of merger rumors aroused by the persistent buying but none working out. Northeast Capital Corp. must be given credit to a major degree for the activity, the June report showing holdings up to 411,000 shares. This included acquisitions of 14,200 in March, 14,800 in April, 14,700 in May with a sizable increase to 34,320 shares in June—rather concentrated attention by one holder with little in the way of official explanations for it. The issue, consequently, has pushed to successive new highs for several years. The postwar high for the issue was achieved shortly after it was split in 1948 and it now is working toward equalling the intervening 1951 high only a fraction away.

* * *

International Telephone was another secondary issue that was given far more attention than the lesser quality shares generally. In a rather subdued way it pushed ahead with determination and finally eclipsed the 1952 high to make it the best price for the issue since its 1946 top when speculation was far more rife. This and the general play in the market served to indicate that for a change some of the issues other than the blue chips were attracting some attention, both from the public and from the institutional investors.

* * *

Technically, the market accomplished little in its meandering. Selling pressure wasn't heavy or spirited enough to do anything of consequence to the averages. The high for the move, made a couple of weeks ago, is still intact for the industrials. In the interval, the rails have succeeded in nudging their high along the route but with the air of doing it only as an incidental, or perhaps accidental, achievement.

[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.]

From Washington Ahead of the News

By CARLISLE BARGERON

One of the Administration's greatest accomplishments in its first two years of office, although it won't have much vote appeal for the man in the street, will likely be the putting of a dent in that octopus known as the TVA, and giving a set-back to the vast organization of public power lobbyists. They have been pretty much having their own way for some 20 years. The Administration's determination in this respect and its turning of deaf ears to the powerful education lobby, should rate the hearty plaudits of all "right thinking" people, as the expression goes.


Carlisle Bargeron

Its policy towards the education lobby has been negative rather than affirmative. It has simply shrugged off their fantastic demands, asking Congress, instead, for a minor appropriation to set up a conference with the State Governors next year to dicuss the situation.

But in the power fight, it has turned thumbs down on the efforts of TVA to get money for another plant to furnish power to the Atomic Energy Commission, and directed that a contract be made with two private utilities, the Middle South Utilities, Inc., and the Southern Company, to build the plant instead.

It is this proposition that has been causing the public power lobbyists to scream their lungs out and tie up the Senate for more than two weeks. Their noise has apparently lacked the substance of sufficient votes and the indications are, at this writing, that the Administration will win.

It is not my purpose to pass upon the merits of the particular contract. Nothing but another TVA plant would suit the public power crowd. But the plain fact is that something has got to be done to stop the spread of the TVA if private enterprise is to continue in the electric energy field. TVA was put over on the country as an adjunct to flood control and navigation. The Federal Government has the responsibility for flood control and navigation, had to do something in the Tennessee Valley area, it was argued, and it should have the right to dispose of the incidental hydro power. The argument was palpably false at the time. Flood control and navigation were the incidental phases of the project and were used as constitutional pegs for a great public power splurge.

TVA has long since gotten away from water power. For the '54 fiscal year it will use 45% water power and 55% steam. When its present construction program is completed in 1956 it will be using 70% steam.

There has been little or no resistance, certainly no effective resistance, to the TVA's steady expansion to meet the increasing needs of power in its area. It long ago pushed the private companies out, so manifestly if the increasing needs of the area were to be met the TVA must meet them.

But now it is threatening to spread out to the periphery. That is where the present Administration is calling a halt. TVA's present production is about 10 million kilowatts. Of this the Atomic Energy Commission takes about 30%. But in a couple of years AEC will be taking from 30 to 50%. It would hardly seem that the government will go on making atomic weapons and stockpiling them forever. A cutback, we have every reason to expect unless we are to go nationally insane, is bound to come. TVA would then have a tremendous amount of surplus power on its hands and there is no doubt what it would do with it. It would flood the surrounding private companies and ruin them. This is the main reason the Dixon-Yates combine are anxious to build the new plant.

Although it has not been so much to the fore in the debate on the Dixon-Yates proposition, there is a deep underlying opposition to the Administration's provisions in the pending Atomic Energy Act dealing with the future use of atomic energy for industrial uses. The Administration's policy is to turn this over to private enterprise. The public power lobbyists are yelling that this is a giveaway of $10 billion.

We taxpayers, it is argued, have put up that amount for the development of atomic energy, and we taxpayers should hold onto its ownership. It so happens, in the first place, that the money so far has been spent largely on bombs, and secondly, I, as one taxpayer, have no desire to be the owner of atomic energy in the future with the government administering it and not giving me any dividends on my stock. I now own, as a taxpayer, the Mississippi Valley development, a St. Lawrence "seaway," an intracoastal waterway, all sorts of other waterway developments. It looks as though I might soon have a piece of a project to harness the tides at Passamaquoddy Bay. I even own a piece of TVA. But they all cost me money. They don't return any dividends to me.

I should like to see enterprising gentlemen who will know how to make money out of it, take over the industrial development of atomic energy so they will pay taxes on what they make and reduce the size of the burden that I have to carry.

But you would be surprised if you sat in the Senate or House gallery and heard how plausible the public power crowd makes their arguments sound.

"Economic Sky Grows Brighter"

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Secy. Weeks, in decrying gloomy prediction of a depression, points to a business revival and states "We are on our way to a fall season spurt in business and employment that may require even optimistic forecasters to revise their figures upward." Lists accomplishments of Administration and expresses confidence Congress will carry out President Eisenhower's economic program.

There is no end to America's flight forward if the Federal Government and the American people continue to give their free enterprise system a chance to operate and our economy a chance to grow.

Sinclair Weeks

Just this week our Census Bureau survey for the month of June estimated employment at 62.1 million—a jump of one million over the number at work a month ago. When more than 62 million men and women have jobs, it takes more than a parcel of pinks to panic them.

To day the clouds are lifting and the economic sky grows brighter every month. But the revival is not on accident. The adjustment from a war to peace economy did not snowball into the depression which the calamity howlers had predicated because: First, your National government took positive steps to instill public confidence, to check decline and to spur recovery; and secondly, the American people, their confidence bolstered, took advantage of the economic measures fostered by their government and used their private enterprise system to accelerate business and make jobs.

Without resorting to any of the deadly socialistic drugs prescribed by the left-wing medicine men, the government in cooperation with the people has brought our economy back to a relatively normal basis and is preparing the ground for new economic growth.

We are on our way to a fall season spurt in business and employment that may require even optimistic forecasters to revise their figures upward.

I predict better days ahead because I believe that the most vital parts of President Eisenhower's economic program will pass the Congress.

It seems too frequently to be the fashion to accuse the Congress of doing nothing when in reality hard-working Senators and Representatives have been studying and enacting an exceptional amount of worthwhile legislation, the benefits of which will last for years.

I believe that the bulk of the President's program to put more money in people's pockets will pass this month because the public wants it passed. A majority of public-spirited members of Congress — regardless of the party label—will vote for that program in response to bipartisan and nationwide demand.

It will pass because both the public and the Congress know it is the strongest new force in our economic life to make jobs, to aid big and little business, and to speed up prosperity.

Here is a nutshell are a few measures already taken by the Administration to stimulate business and agriculture and to create employment:

The cost of government has been reduced.

Controls on prices, wages and inventories have been removed.

An all-time record tax cut has been made and further cuts are now before Congress.

The St. Lawrence Seaway project has been approved.

The Reciprocal Trade Agreements Act has been extended.

Sound monetary policies have resulted in stabilizing the cost of living.

The greatest two-year highway program in history has been authorized, with North Carolina apportioned $21.1 million for the first year, an increase of 54½% above current annual Federal aid.

Further Administration measures—now before Congress— designed to soup up the economy and to benefit our people include:

Expansion of Social Security.

A strengthened health insurance system.

Accelerated depreciation allowances and other tax incentives to businessmen and farmers to make jobs.

A revision in the Atomic Energy Act to encourage commercial uses.

More flexible price support policies to benefit both farmers and consumers.

Foreign aid that also promotes our national interest.

New teeth in laws to catch Communist traitors and spies.

Easier credit to encourage home-building, enlargement and modernizations.

And finally here is our record on cleaning Communists out of our midst since Jan. 20, 1953: one person convicted of treason and two of espionage; 41 Communist leaders convicted and 28 more indicted under the Smith Act; 26 citizens with subversive records being denaturalized; 93 alien subversives deported and 286 more undesirables on the way; 62 new groups added to the Justice Department's list of subversive outfits, making a total of 255.

That, in brief, is what the Justice Department has been doing.

The record proves that no other agency or individual in government is doing as much or as well to get rid of Communists as Herb Brownell and J. Edgar Hoover.

The Administration's entire record and program are aimed at helping aviation, business, agriculture, labor and all segments of American life in all parts of America. And for that reason it has won bipartisan support in all sections of the nation and in both houses of the Congress.

It is liberal in dealing with human problems and in assisting those suffering from misfortune. It is conservative in dealing with your economy and your money. It is a warm, humanitarian program to give more people more of the good things of life than they ever had before.

It is a sound conservative program to give business the incentives and the opportunity to produce more and better goods, to expand plant and equipment and to hire more workers.

It is just what the public ordered this year.

I sincerely believe that as it is adopted and put into practice it will give the American people the confidence and the economic tools to go forward in the next few years to the greatest and longest period of prosperity in all our history.

*From an address of Secy. Weeks at the dedication of the New Airport Terminal Bldg., Charlotte, N. C., July 10, 1954.

Kuhn, Loeb Places Utility Preferred Shs.

The Central Illinois Public Service Co. has placed privately, through Kuhn, Loeb & Co. an issue of 50,000 shares of 4.25% cumulative preferred stock at par ($100 per share).

The proceeds from this sale, together with other funds, were used to redeem on June 30, 1954, the 50,000 shares of 5¼% preferred stock then outstanding.

Charles Carlson With Julien Collins Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles W. Carlson has become associated with Julien Collins & Company, 105 South LaSalle Street, members of the Midwest Stock Exchange. He was formerly treasurer of Harris, Hall & Company.

Joins Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — William C. Roper has become affiliated with Clement A. Evans & Co., Inc., of Atlanta, Ga.

Varnedoe, Chisholm Adds

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Carl L. Meadows is now with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building.

With Arthur Krensky Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John G. Park has become connected with Arthur M. Krensky & Co., Inc., Board of Trade Building, members of the New York and Midwest Stock Exchanges.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SOMERSET, Mass. — Manuel Rocha has been added to the staff of King Merritt & Co., Inc.

Continued from first page

How Realistic Is Our Foreign Economic Policy?

objectives, at least in a general way. For this purpose our objective may be stated simply. Our aim is to maintain domestic prosperity while advancing the concepts and ideals of freedom and peace over those of the nationalistic, authoritarian philosophies. I take it that we can all agree that the theme of this series of conferences, "Economic and Political Stability in a Free World," is itself a pretty good statement of objectives.

Foreign trade policy is so inextricably a part of over-all foreign policy that we must judge its realism by the contribution which it makes to stopping the advance of totalitarian ideologies. In part that means keeping ourselves and our economic system strong and ready. In part it means winning, meriting, and keeping strong allies.

Keep American Economy Sound

Paradoxical as it may sound, the first plank in our foreign economic policy it, therefore, to keep the American economy sound, dynamic, and progressive in itself. There are two reasons why this is important.

First, we all know that our economic system is being tested in the minds of hundreds of millions of people in the uncommitted parts of the world. While we in the United States are thoroughly "sold" on the free capitalistic enterprise system as the best and most productive way of organizing our economic resources, it is a basic dogma of Communism that our system won't work. It is destined, they say, to stagger through successive economic instabilities and finally collapse, all because of the very freedom of choice which it permits.

The fact that dire prediction has been propagandized about the world means that we cannot, in the sight of the rest of the world, afford marked deviations from full and productive employment at home. The struggling and less well-off parts of the world watch and carefully weigh what our system offers compared to the achievements and, doubtless even to the promises, of the Communistic system. The so-called "new look" in Russian economic policy, aimed at permitting a higher level of domestic consumption, is but a part of the calculated Soviet program designed to match the appeal of American plenty.

Another reason why domestic stability is so important to international stability comes from the sheer size of the role which the United States has come to play in the world picture.

While the United States has only about 5% of the world's population, we produce well over 40% of the world's output of goods and services. The Randall Commission on Foreign Economic Policy estimates that the United States alone generates perhaps as much as two-thirds or more of the world's flow of savings. This has made it possible for us to become the world's greatest exporter of capital and the world's greatest creditor nation. In 1952, our exports amounted to over 20% of the total world export trade and our imports to about 15% of total world imports. In some of the raw materials fields our share of the world total is much larger.

While merchandise exports at present constitute only 5% of our national income, in many of the countries with which we deal the importance of export markets is much larger. As a consequence, any drop in our imports tends to have a much greater depressive effect upon the economy of those countries whose trade with the United States represents a relatively large proportion of their total national production. Under the circumstances, it is not surprising that, until quite recently, it had become almost trite to say and believe, as the London "Economist" one observed, "When America sneezes, the sterling area catches pneumonia."

While, as we shall see later, the recent decline in American business has not yet produced the dreaded foreign repercussions, all will agree that domestic policies calculated to keep us from sneezing or catching cold here at home are basic elements in any realistic foreign policy.

In the interests of keeping the domestic economy on a reasonably even keel, the Federal Government in the Employment Act of 1946 recognizes its responsibility for doing all that government, under the free enterprise system, can do to aid in preventing a major economic depression. At the outset, we recognize that the Federal Government cannot guarantee employment for everyone. Nor does it guarantee that economic recession can never overtake us. As Americans, we value our individual liberty and the free enterprise system much too highly to accept the promises of a government which would assure everyone of a job at the cost of becoming an essentially slave state.

The responsibility which the Federal Government has under the Employment Act is, nonetheless, a positive responsibility and not merely passive resistance to economic fluctuations. The government's role consists in creating an economic climate conducive to dynamic growth and a rising level of living. Its role consists in keeping open the incentives and opportunities for private business, labor, agriculture, and consumption.

Over the past year we have had in the United States a slackening in the rate of industrial production and a rise in the levels of unemployment. In keeping with its responsibilities, the Federal Government's program in recent months has been to strengthen and develop the so-called built-in stabilizers, and otherwise seek to encourage the private economy to take over as the government's direct contribution in the form of defense purchases declines.

We have put into effect the largest tax cuts ever made in a single year, and are working on the first over-all study and revision of our tax laws in more than a generation. This has been done with an eye specifically on reducing the impediments to private investment as well as to broadening the consumption base. We have at the same time pursued an aggressive policy of monetary and credit ease. Thus far the program appears to have been quite successful. It is perhaps too soon to say that all of the our worris about recession can be dismissed. But it is safe to say that the readiustments in economic tempo which we have thus far undergone are perhaps no more than should have been expected as we move from a booming wartime and defense economy to a more stable growth pattern.

That the free world contries have benefited by our success in holding our domestic decline within narrow bounds can hardly be disputed. It is true, of course, that their own improving strength has also contributed. That improvement is one of the most gratifying elements in the recent world picture. Happily, such recession as we have experienced has not brought on the pneumonia nor the calamity abroad which was predicted and feared. There are several reasons for this.

European Monetary and Economic Conditions Improved

Thanks to our policy of helping to rebuild the strength of the Western European countries, monetary and economic conditions there are today better than at any time since the war. The need for monetary discipline seems better understood and more generally accepted. In most countries inflation has been checked and the currencies are today fortified by larger reserves. During the first quarter of 1954, foreign gold and dollar assets increased another half million dollars, continuing their uninterrupted growth since the second quarter of 1952. The build-up of industrial capacity in Western Europe is paying off in increased production, providing a broader base for their stabilization efforts and relieving their dependence upon us. As a result of the improved economic health abroad, the other free world nations are trading more and more with one another.

Any larger degree of recession here at home might well have dampened or overwhelmed these developing strong points in the free world situation. As it is, the experience of 1949, 1937, and 1929 has not been repeated. This time our slump has not precipitated new currency troubles abroad with a new round of devaluations and trade restrictions. Whatever the complex of causes may be, the contribution to the strengthening of the Western world which our aid policy has made in the past, and our steps limiting the recent economic decline here at home, must clearly be characterized as realistic and pragmatically successful.

Major Parts of Foreign Economic Program

In its international aspects our foreign economic program consists of four major parts. In a message to the Congress on March 30, President Eisenhower summarized the interrelated objectives of foreign economic policy, citing:

Aid—which we wish to curtail;

Investment—which we wish to encourage;

Convertibility—which we wish to facilitate; and

Trade—which we wish to expand.

In the furtherance of these objectives, the President recommended, among other things, that the Trade Agreements Act be extended for three years with amendments authorizing selective, planned reductions in existing tariff rates over the three-year period.

Now, under our system of government, it is the President's responsibility to recommend programs to the Congress. But it is equally the responsibility of the Congress to weigh these recommendations and to modify and adapt programs in an atmosphere of legislative compromise. The President has recommended a good program. The fact that the Congress has seen fit at this time to enact something less than the President's original program in this area—an area in which personal and political viewpoints have traditionally differed widely—should not be interpreted as a rejection of the objectives of that program. In terms of the suggested four-part program there is little fundamental disagreement, although men do differ as to the ways and as to the speed with which the ends may be achieved. The Congress itself did not have time enough during the present session to give the proposals the full study which they deserve.

It has, n e v e r t h e l e s s, been charged that the one-year extension of the Reciprocal Trade Act, as voted by the Congress, will prove disturbing to the foreign nations. It is said that they are thereby left in doubt as to the sincerity of our asserted long-run interest freeer world trade and lowered trade barriers all around. While recognizing that a longer term extension of the Act might have relieved some of this uncertainty, we also have a right to expect our foreign friends to take a realistic attitude on the subject. This program has already gone on for two decades. No matter what happens to the legislation, not a single trade agreement heretofore negotiated has or will expire until it does so under the terms of the agreement itself. Our allies in the free world have, moreover, had repeated demonstrations of the sincerity of our concern for their survival and well-being.

We in America, of course, understand and are proud that the ways-of-democracy allow time for discussion, time for considering opposing views, and time for majority opinion to crystallize and express itself. Our friends overseas must recognize this. In the nature of things this country is somewhat less dependent than certain other countries upon world trade. An appreciation of that fact helps also to explain some of the slowness and hesitancy with which we move toward lowered tariffs.

After all, we, too, have a right to be disturbed and fearful at some of the restraints to free production and distribution which we see persist in other friendly nations in their internal as well as international commerce. Curtailment of cartel practices, less resistance to measures making for greater productivity, acceptance of improved distribution methods would be welcome evidence on this side of sincerity and good faith on the part of others in the free world.

"Less Aid—More Trade"

Returning to our long-run objectives as outlined by the President, the recommendation "less aid, more trade" is clearly a proper and desirable plank in foreign economic policy. Just as aid for postwar reconstruction has, in large part, given way to military aid, we all look forward to a time when military strength abroad will have been built up to a point where a reduction in the direct costs of military aid can be expected. At that time the present tendency toward a statistical balance between our exports, exclusive of grant-aid, and our imports may be upset. Our total exports of agricultural products and manufactures will then be reduced unless we replace military aid by some other forms of grant-credit or increase our acceptance of imports as an offset to increased commercial exports. Military aid is clearly the counsel of realism today. But by the same token the counsel of realism for the future dictates that we give thought now to the manner in which we wish to bridge the gap which the end of government-supported military shipments may bring.

Continued on page 16

Continued from page 15

How Realistic Is Our Foreign Economic Policy?

Realistically and ideally the answer is easy; we should then and now do everything we reasonably can to permit the free nations to earn their own way. That means that we must recognize that for every buyer there must be a seller. If we would be sellers, we must also have bupers—buyers who can afford to buy.

Granting that there is a large element of coincidence in the magnitudes, it helps to clarify our thinking about international trade to note that in 1952 grain exports from this country were approximately $1.5 billion, while coffee and cocoa imports — products which we do not produce — amounted to approximately the same figure. Superficially stated, we were trading bread for coffee. Our cotton exports ran something over a billion dollars that year. In exchange, we received shipments of tea, burlap, hemp, silk, diamonds, rubber and tin aggregating almost the same in dollar amounts. Although one hears a great deal of objection to the imports, we exported more dollars' worth of petroleum and petroleum products than we imported. We imported some meat products, it is true, but exported almost the same amount of other meat products. These figures help to demonstrate that international trade, like all trade, is not a unilateral action but a two-party transaction.

Reliance on Bilateral Deals Impractical

But, a moment's thought will also show how impractical a reliance on simple bilateral deals would be. Coffee dealers in Brazil would not and could not have taken all of our exportable grain. Instead, they followed the easier, common-sense way of selling their coffee for dollars, and then used the dollars to buy what, and when, and where they pleased. Our exporters of coal would find their problems greatly multiplied if they were forced to take cane sugar directly in payment. And yet, in terms of amounts, that is substantially what happens. The process is simply facilitated by throwing all of the trades into one trading account in which the transactions of private enterprises are cleared through triangular or broad multilateral trade.

Traditional American thinking about international trade often falls short of being realistic in our prepossession with the importance of exports and still more exports. We are rather proud and only wish that we could do better than export 23% of our tractor production, 12% of our agricultural machinery production, and 1/6th of our production of motor trucks and coaches. The substantial part of our agricultural production which goes into the export market will be cited later. But we cannot go about seeking world markets for our surpluses, either agricultural or manufactures, and at the same time hope to insulate our home markets against imports.

Hardships of Increased Imports

There can be no question but that the problem of adjusting ourselves to increased imports in certain lines does bring hardship and injury to specific, local segments of our domestic economy. We should not for a moment belittle or decry the plight of the pottery and glass workers of the Ohio Valley, who find employment curtailed due in part to sizable imports. Nor can we ignore the plight of the watch-makers, the clothespin makers, the bicycle workers, the toy producers, or the coal miners. But it would be entirely wrong to assume that their difficulties arise solely because of imports. Industries are often sick from a complex of causes so that the elimination of competitive imports, no matter how appealing, is not necessarily an easy, sure cure for the problems confronting a depressed segment of the economy.

While one cannot help but feel great sympathy for the problems of the workers in every depressed industry whatever the reason for distress, let us look more closely, for example, at the case of the workers in the bicycle-producing plants in the United States. If we, by tariff restrictions, discourage those who prefer foreign-made bicycles from buying them, we run the risk of cutting off employment now created elsewhere in our economy, let us say, by the export of 16% of our office appliances, or the employment attributable to 35% of our production of rolling-mill machinery. It is a hard economic and political choice. Would we be better off to undergo loss of employment among those of our people who now make tractors for export, or among those who produce chinaware for the domestic market?

If it were possible for us to look beyond the immediate displacements, the choice is, happily, less painful and difficult. It is not always easy to convince reluctant minds that the indirect and diffused gains from freer trade are important. It can be demonstrated, however, that anything which contributes to a more effective use of the resources of the free world will contribute to a higher level of living in this country. In the long run there is thus little doubt but that the best policy would be to create new jobs for those who might be displaced. That can best be done by maintaining an efficient, dynamic, and growing domestic economy. By taking advantage of the savings available on goods produced with comparatively greater efficiency abroad, we can add to our own comforts while keeping open the opportunities for added domestic employment in other industries. We would not then need to undergo unemployment but might, indeed, increase our aggregate employment as well as our flow of goods and services.

From the realistic standpoint, the challenge to our economic statesmanship and political sagacity is one of avoiding ill-considered and carelessly selected reductions in import duties which bring about serious and undue injury. There are, nevertheless, areas in which trade can be liberalized with a minimum of hardship. The discovery of those areas is a task for the Executive agencies and the Congress.

It was suggested last winter, for example, to the Joint Committee on the Economic Report, of which I am a member, that we might consider tariff reductions and the encouraging of imports on such items as those in which American goods already have heavy export markets—for example, automobiles—or those in which the imported goods sell in the American market at prices higher than the competitive American-made products—for example, briar pipes or fine cameras. In other cases, if it can be demonstrated that American industry and enterprise has clearly failed to keep abreast of foreign competition in quality, style, and cost, it may well be decided that continued tariff protection is unmerited.

Blending Domestic Programs With International Security

Realism in foreign policy always, and especially today, calls for a blending of domestic programs with our interest in international security. No where is this need more apparent than in the field of agriculture. Export markets have long been of vital importance to our farm population. In recent years we have exported 40% of our cotton and rice, one-third of our wheat, and a fourth of our tobacco and lard. About 30% of the value of farm marketings in 1952 were dependent to a highly important degree upon the export markets .

Problems of Agricultural Surpluses

If there is any problem in the country today to which we must face up realistically, it is the problem of agricultural surpluses and the need for long-run adjustments. Our great agricultural productive capacity ought not to be in the position where government nonrecourse loans and storage-bins constitute an indispensible part of the market for the farmers' products. One way in which we can try to solve the problems of "excessive" crops is by setting up government domestic price support programs with their inevitable costs in the form of regulation, regimentation and often, in the end, surpluses taken off from the free market with the proceeds of Federal tax receipts. Another way in which to attack the problem would be to help the cotton and wheat and pork farmers to regain a part of the lost foreign market for their products. The best way to do that is to make it easier for foreigners to buy American agricultural products.

Given the extraordinary efficiency of our domestic capacity to produce agricultural commodities, there is a temptation to produce large quantities even if we must resort to export subsidies and "dumping" to get rid of excesses beyond domestic needs. There are undoubtedly opportunities of negotiating nonmarket distributions of these surpluses in various parts of the world. But our earnest quest for mere disposal abroad, outside regular market channels, must not blind us to the greater merits of private multilateral trade as a long-run solution. "Dumping," export subsidies, import quotas, exchange controls, state trading of agricultural, as well as other products are almost certain to bring retaliation. In the end they are likely to prove injurious to those whose interests lie, as does the American farmers', in expanding the world export markets.

Since we have been talking so much about realism as an objective of policy, a statement of the alternative solutions for our agricultural surplus problem may perhaps help us to recognize the best alternative. We have, first, the unattractive choice of reducing production—in a measure going out of the agricultural business—to a level which just covers domestic consumption plus an irreducable minimum which our customers abroad will take under the worst conditions. We have the choice of spending government funds to buy and hold any agricultural surpluses. We have the choice of giving the surpluses away or what often comes to the same end, "lending" foreigners the goods or the money with which to buy them. We have the choice of helping foreigners to earn the necessary dollars with which to buy the products by trading with them, and increasing our own imports of those products they produce relatively more advantageously than we can. To state the alternatives is to point the way. There is no necessary conflict between realistic foreign trade policy and the objectives of our domestic farm policy. But we ought to choose the course which will place maximum reliance on the free markets while assuring the farmer of a deserved and relatively stable income.

Ecouraging Private Investment Abroad

As a supplement to the freer flow of trade in raw materials and manufactures on year to year account, we have also a considerable interest in encouraging private investment abroad. Realistically viewed, the contribution of private investment to expanded international trade is likely to be modest in any short run. Only over a decade or period of years will its impact upon world production and trade be fully felt. Its greatest contribution lies in the help which it affords economic growth in the recipient country. While this is of great economic significance, in the world of today it has a political and strategic significance as well. It is clearly to our self interest to raise the level of living in underdeveloped areas of the world as one way to hold the masses in these countries from going over to the Communist philosophy.

On the side of the domestic economy, direct foreign investment serves to finance an immediate increase in exports of machinery and investment goods. If our nation is to accept its place as a comparatively rich creditor, as we must not, however, think only of the exports which flow from new investments. We must welcome the earnings which those investments produce over the years. When our debtor offers to pay interest or repay principal we must not slam the door in his face by effectively barring the import of the products which he has. It is one thing to make successful investment commitments abroad and be content, as we often have been in the past, to plow back or reinvest the rewards on the spot. But a part of our objective lies also in the expanded flow of trade freed from distrust and international barriers.

If we are going to regard foreign "investment" solely as a way of dumping excesses in production, we will be doing more harm than good. We must recognize that investments mean closer family ties among the nations. We must expect that the success of our investments abroad will add, not only to the wealth of our friends, but to our own national wealth and the flow of goods and services. If we are to achieve that end, we must accept responsibility as the leading creditor nation and behave like a creditor, not raising our hands against payment when the borrower tries to service the investment and make the payments due to us.

The fourth point in our minimum foreign economic program, as outlined by the President, is our wish to encourage currency convertibility. Government controls which restrict the convertibility of one nation's currency into that of another directly affect — and are affected by — the volume of world trade and investment. These in turn affect the world peace and unity. In recent months the free world has made great steps forward in restoring currency convertibility. The Dutch have relaxed their curbs on capital transfers, while the British have widely extended the areas and the products for which payments may be made in scarce sterling. We are apparently approaching the time when sterling balances may be transferred into dollars at will. This progress—an outstanding feature of the free world's gains in recent months—has been made possible by the generally improved conditions in Europe which we have already noted.

Problems of Dollar Convertibility

The problem of dollar convertibility is but another way of expressing the need which we have already mentioned—of our buying enough from foreign nations so that they may have dollars available in sufficient quantity to purchase American export products commercially.

When other nations were compelled to hoard and conserve their limited supply of dollars, all sorts of quotas and government intervention in the free market economy inevitably came about. The fact is that the discriminatory controls which foreign countries use to restrict purchases from us are in themselves evidence of their desire to take more United States exports of we will but let them pay for them. They are evidence of a suppressed demand for United States goods and services.

Our interest in freer trade and freer convertibility is well illustrated in a recent case where the shortage of dollars has caused repercussions directly upon American employment.

A recent issue of the London "Economist" tells of an outstanding American corporation which decided to build its machines in England because the overseas markets for its product threatened to be closed to its United States production for lack of dollars in the hands of would-be purchasers. By shifting manufacturing operations to England, the machines may be sold for sterling. The name of the company is well known as the largest maker of its type of machines in the world. I shall not mention the name here since one of the sad commentaries on tariff discussions is that we are so easily diverted by special local hardships and forget the national good.

The employees of this particular company suffered directly from the fact that, as a nation, we had failed to buy sufficient products from the rest of the world to enable them to acquire the necessary dollars to buy our products. The factory in question came into full production in England in 1949. Its exports have risen more than ten times since then and more than 70% of those American-designed machines, produced in England, are being sent to Canada, the company's largest single export market. Now, we regard Canada as a very attractive market for American exports. The employees in the American plant which was making the product for export have, in effect, been displaced by English workers and a portion of our traditional market lost. By our reluctance to accept imports in sufficient quantity, we have cut the world off from the opportunity of earning more dollars, and by cutting off the supply of dollars have, in this case, increased employment abroad at a cost of declining employment in one of our outstanding domestic industries. Certainly our policy would have met the test of realism better in this instance had we reduced tariffs on articles which can be produced more efficiently and cheaper in Great Britain than here, instead of throwing American workers out of employment in a field in which we have the great comparative advantage.

A Summary

By way of summary, we can do no better than quote a few sentences from the President's foreign economic policy statement of March 30. In that statement he said:

"The U. S. stands ready and able to produce and sell more than the rest of the world can buy from us. The inability of many foreign countries to buy our goods in the volume we would like to sell does not arise from any lack of desire for these goods. . . . Instead it arises out of the inability of these nations to pay—in dollars—for the volume we have to sell.

"Dollar grants are no lasting solution to this impasse. . . . The solution is a higher level of two-way trade. . . . Greater freedom from restrictions and controls and the increased efficiencies which arise from expanding markets and the freer play of economic forces are essential to the attainment of this higher trade level."

In judging our economic policy, we must test it by the degree to which it results in this higher level of two-way trade. Its realism must be measured by the extent to which it helps in breaking down the restrictions and impediments which have handicapped the free world economy in the postwar period. On this basis I am sure we must conclude that a great deal more can and should be done. It may be that a bolder program would have accomplished more in less time.

On the other hand, the world changes which have made the United States the world's leading economic nation have come upon us comparatively recently. We have, moreover, a long tradition and, if you will, a great many pressures to overcome in order to keep pace with our new responsibilities. If we accept this domestic tradition as a part of the milieu in which our policy must today be formed, we are inevitably driven to the conclusion that our over-all program is indeed highly realistic, no matter how much it may fall short of being ideal.

Will History Repeat Itself?

By B. K. THURLOW

Talmage & Co., Members New York Stock Exchange

Few economists or analysts have had the insight (or perhaps the candor) to observe that the business irregularities of the past year and the pessimistic conclusions drawn from them, have been a gigantic false alarm. Now the darkness is finally beginning to lift; the Dow-Jones Industrials have risen 80 points in the past year; and there are signs that the public is shortly going to emerge with a new investment theory to replace the crumbling idols of cyclophobia which have been worshipped unprofitably for the past 15 years.

B. K. Thurlow

The first manifestations of this new theory are coming as is proper, from the highest quarters. The once stodgy General Electric has electrified and dumbfounded the professionals by more than doubling in price in nine months. The equally respectable DuPont added over 10% to its value in one day and succeeded in holding this rise which at first appeared to be a trading freak of some sort. The machine tool stocks, long regarded as the most cyclical group in the market, have in a number of instances approximated General Electric's performance in a period when fears of cyclical depression have been uppermost in the minds of investors. Aircrafts and other military companies have fared nearly as well.

While some of the enthusiasm in these star performers seems to me to have gone too far, the important conclusion, in our opinion, is *not* that the general market is overbought and due for a correction. On the contrary, it would appear that these spectacular performers are acting as bellwethers, showing what some observers may one day describe as the incipient stages of speculative madness — or in more common terms, the beginning of an old fashioned stock market boom. There are several important factors supporting this conclusion:

(1) The "Second Industrial Revolution" has begun, wherein one process after another is going to submit to "automation" until our every day office and household chores as well as our industrial and military operations will be run by pushbuttons. This automation should stimulate a large number of industries over a period of several years.

(2) The stand which Britain and the U. S. appear to be taking with regard to the preservation of Thailand may be the equivalent of the stand taken on Poland in 1939. Even if it does not involve us in direct war, the defense line we draw there may well cost us upwards of $100,000,000,000 to maintain.

(3) The investment attitude toward secondary companies, particularly those thought to be in "cyclical" industries has tended for years to drive weak investors out in search of issues with a better or safer "outlook." These companies, however, have for the most past come through the various business irregularities since 1947 with flying colors. They are now presumably in strong hands and as the trend of economic thinking turns toward more optimism one can logically expect a striking absence of supply at prices near these depressed levels. The phenomenon of scarcity in "red chips" has already been witnessed in the action of the normally sluggish Union Tank Car stock, which rose 30% during one afternoon simply on a 7% increase in the dividend and a stock split.

(4 Last but not least it is well to bear in mind that 1929, which everyone claims to remember so vividly, is now 25 years behind us. Assuming that the old speculative axiom is true that people will continue to make the same mistakes in the future that they have made in the past, then there are two new sources of buying power which should emerge between here and the end of the bull market:

(a) those who have recovered from their earlier losses, and

(b) those who were too young (or poor) to go through the 1929 debacle.

These are all straws in the wind. It is not surprising that such events are upsetting to those who hold to traditional views that the market, with all due observance of social proprieties, quietly backs and fills waiting for the outlook to clarify and then moves solidly and quietly toward its destination. When M. Schreder of Group Securities envisioned a possible doubling of 295 in the Dow-Jones Industrial Averages during the next decade, I doubt whether he expected the improvement to be confined to du Pont and General Electric.

A Weaker Sterling Exchange Rate Looked For

By PAUL EINZIG

Commenting on weaker tendency in sterling exchange, Dr. Einzig points out this is due not only to seasonal influences but to disappointment felt by overseas holders of sterling regarding its early convertibility. Holds sterling convertibility would benefit Moscow and Iron Curtain countries.

LONDON, Eng.—Sterling developed a distinctly weaker tendency during the second week of July. For the first time since the early spring it declined appreciably below its official limit of $2.82. There is a widespread feeling that it is likely to experience a prolonged weak spell. This is partly due to seasonal influences. Crop movements in the autumn normally cause a pressure on sterling. The liberation of dealings in various commodities in Britain is likely to accentuate this pressure, for foreign holders of sterling are likely to use their holdings for the purchase of dollar commodities. To some extent the autumn dollar requirements are anticipated, which would account for a weaker tone of sterling.

Dr. Paul Einzig

There is, however, another important factor which is largely responsible for the decline—the disappointment felt by overseas holders of sterling about the deferment of their hopes of early convertibility. During recent months the anticipation of early convertibility induced many people on the continent and elsewhere to buy and hold sterling, so as to be able to acquire dollars the moment convertibility is restored. They entertained sanguine hopes about the chances of being able to do so in the early autumn. Now that it is becoming increasingly obvious that there can be no question of convertibility this year, many holders are inclined to realize their sterling balances. They have only themselves to blame for their disappointment. In all fairness to Mr. Butler, none of his public statements on the subject could be interpreted—or even reasonably be misinterpreted—as foreshadowing early convertibility. On every occasion he stressed the difficulties at the same time as reaffirming his intention of returning to convertibility when it becomes practicable.

There was, however, a great deal of wishful thinking on the part of those who hoped to derive benefit at Britain's expense from a premature return to convertibility. In 1947 all and sundry replenished their dollar reserves out of the proceeds of the big dollar loan, leaving Britain with the big dollar liability and nothing to show for it. It was hoped in Bonn, Brussels and other continental capitals that once more they would be able to help themselves freely to dollars through the intermediary of convertible sterling, leaving Britain with an additional large uncovered dollar liability as a result of the support that convertible sterling would receive from the International Monetary Fund and the Federal Reserve System, after the depletion of the Sterling Area dollar reserve.

Indeed even Moscow was hoping to secure much-needed dollars through converting sterling. It is not generally realized that most countries behind the Iron Curtain belong to the area within which sterling is at present freely convertible as between the countries belonging to that area. Once sterling becomes fully convertible there will be nothing to prevent these countries from converting their sterling into dollars. This would mean that in practice the International Monetary Fund and even the Federal Reserve System when trying to bolster up the convertible pound, would be granting assistance not to Britain but to the Communist Bloc. It seems doubtful whether official American circles, when urging Britain to resume convertibility, are aware of this aspect of the problem.

There can be little doubt that the moment sterling becomes convertible the Soviet Union and other Communist countries would embark on a supreme effort to dump their goods on the Sterling Area in order to acquire convertible sterling. The possession of large amounts of dollars, which they would thus acquire, would certainly assist them politically as well as economically.

Fortunately Mr. Butler is determined not to allow himself to be rushed into premature convertibility either by the impatience of our friends and allies or by the malevolent expectations of our enemies. He will doubtless heed the lesson of the present weakness of sterling, which indicates what would happen on an incomparably larger scale if convertibility were restored in existing conditions. There was a strong temptation until recently to take advantage of the persistent firmness of sterling, and of the influx of gold month after month, in order to take the plunge of convertibility in the belief that sterling is now strong enough to withstand the strain. It is now obvious, however, that the firmness of sterling and the influx of gold was largely due to the anticipation of convertibility. This experience shows how easy it is to be misled into premature decision. The more imminent convertibility appears the stronger the demand for sterling is likely to become. Yet the sterling thus acquired is not a source of strength but a source of weakness. It would be a grave error to regard the rising figure of the gold reserve as the barometer of an inherent improvement the extent of which would warrant an early return to convertibility.

The presence of balances acquired for the purpose of converting them into dollars is apt to convey a false feeling of security. Their withdrawal may entail some loss of gold during the coming months, but such losses would be a blessing in disguise in that they would bring to the fore the realities of the situation. Once sterling is no longer so firm there would be less pressure on the government in favor of an early convertibility decision.

Meanwhile the present system under which foreign holders of sterling are in a position to buy dollar commodities and pay with sterling has been further extended by the resumption of free dealings in sugar on foreign account. It is true, as in the case of other commodities, the authorities asked the British firms engaged in such operations not to sell dollar sugar except for genuine commercial purposes. This may or may not prevent the acquisition of dollar commodities with the aid of sterling for the purpose of their resale in the Dollar Area. But it certainly will not prevent non-dollar countries from covering their entire requirements of dollar commodities with the aid of sterling. This factor alone may entail grave losses to the Sterling Area gold reserve. Hitherto the effect of this partial convertibility has been offset by the influx of foreign funds in anticipation of full convertibility. Now that this flow has become reversed Britain is liable to feel the full burden of the foreign purchases of dollar commodities at her expense.

In the circumstances it may be found that Britain has already gone too far towards convertibility. The government would be most reluctant to reverse the moves already made towards the liberation of sterling. On the other hand, it is likely to be even more reluctant to proceed further unless and until a genuine improvement of the conditions and prospect will warrant further progress.

Dillon, Read Group Offers Securities of Colorado Utility

Dillon, Reed & Co. Inc. headed an investment banking group which offered for public sale yesterday (July 21) $30,000,000 3.35% first mortgage pipe line bonds, due 1974, and 110,000 shares of 5% series, cumulative preferred stock, $100 par value, of the Colorado Interstate Gas Co.

The bonds are priced at 100% and accrued interest. They are subject to optional redemption prices scaled from 103½% if called during the 12 months beginning June 30, 1954 to the principal amount after June 30, 1973. The special sinking fund redemption price is par.

The preferred stock is priced at $100 per share and is redeemable at prices ranging downward from $104 per share through June 30, 1959 to $100 per share after June 30, 1974. After July 1, 1959, the preferred stock is subject to an annual sinking fund of 4% of the number of shares outstanding on July 1, 1959, at the sinking fund redemption price of $100 per share.

This financing represents the first public financing of the company. Proceeds from the sale of these securities will be used in part to repay $29,000,000 of bank loans which were incurred primarily to finance the company's construction program of the past two years. The balance of the proceeds, together with other corporate funds, will be used for the company's 1954 construction program, which has been budgeted at approximately $13,800,000.

Colorado Interstate Gas Company owns and operates a 2,159-mile natural gas pipe line system. The major portion of the company's gas requirements are obtained from company-owned reserves, estimated to be 2.75 trillion cubic feet of gas, in Texas. The company's principal deliveries of gas from its transmission system are made to Public Service Co. of Colorado and its subsidiaries for distribution in Colorado and southern Wyoming. Principal deliveries of gas from the company's field system are to Natural Gas Pipeline Company of America and to Amarillo Oil Company.

For the 12 months ended April 30, 1954 the company had total operating revenues of $21,726,712 and net income of $3,250,999.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Elmer J. Beversdorf has become affiliated with King Merritt & Co., Inc.

Jos. Faroll to Admit

Joseph Farroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, on Aug. 1 will admit Eugene Greenberger to partnership.

LETTER TO THE EDITOR:

Sees Easier Credit Ahead

Hugo Steiner, President, Berkeley-Steiner, Inc., recounts recent developments in the money market, and their impact on commercial bank rates and prices of government bonds. Says we will continue in an era of prolonged easy money and lower interest rates are still coming.

Editor, The Commercial and Financial Chronicle:

"A brief look at the world of today indicates clearly that money can no longer be thought of as the drab, utilitarian handmaiden of economic society. Instead it stands forth as a kind of genie with tremendous, all-pervading powers over economic good and evil. . . . Nothing is more evident than the need for a sound knowledge of money, if one is to understand the world in which we live." These sentences from the opening chapter of Rollin G. Thomas' "Our Modern Banking and Monetary System" are truer today than ever before.


Hugo Steiner

On June 21 the Federal Reserve Board, for the second time within a year ordered an important reduction in reserve requirements necessary to be maintained against deposits by the 6,800 member banks of the Federal Reserve System. This action, which had been rumored for several weeks, will be fully effective Aug. 1.

New York and Chicago, the two central Reserve cities, will have their requirements lowered from 22% to 20% against demand deposits; at the five smaller Reserve centers they will be cut from 19% to 18% and at all country banks from 13% to 12%. Reserves against time deposits in all three classes of institutions were reduced from 6% to 5%. "Time" deposits, broadly speaking, are thrift accounts which are less subject to irregular withdrawal and seasonal fluctuations; all other deposits are considered "demand." Freeing more than $1½ billion will create a base for credit expansion of $7½ to $9 billion. In announcing the move, the Board of Governors stated it was anticipating "estimated demands" and this action "was taken in conformity with the Federal Reserve System's policy of making available the reserve funds required for the essential needs of the economy and of facilitating economic growth."

In addition to reducing member bank reserve requirements, the enormous influence of the Reserve Board has also been directed toward the Treasury Bill Market; in a two-month period ending June 30 the Reserve System acquired approximately $750 million in bills. This combined action—loosening reserves and purchasing large quantities of bills weekly — is powerful "medicine" to assure an abundant volume of money and credit for all contingencies.

It is a generally recognized fact that the Treasury will have to borrow very heavily during the coming months of the year when tax collections are relatively light. Approximately $10 billion is the anticipated Treasury need. Mr. Humphrey will also again request an increase in the debt ceiling limit that presently stands at $275 billion; it is unofficially reported that this time he will have a more receptive Congressional ear.

March of this year saw the prime rate (interest the best name borrowers are required to pay) reduced from 3¼% to 3% by the New York City commercial banks. This was a belated recognition of the July, 1953 cut of 2 points in their Reserve requirements. Partly due to the further reduction put into effect June 21, 1954, and partly because the traditional shrinkage in business loans in the initial six months was very large (about $880 million as compared with $480 million in the first half of 1953) another shading of the rate appears imminent. Should a substantial demand for seasonal loans fail to materialize in the latter half of the year when business activity ordinarily soaks up bank credit, the prime rate may go still lower. Corporations are presently borrowing short-term accommodations up to six months under the prime borrowing rate from non-bank sources. The average interest rate charged on short-term loans by the New York City banks was 3.25% during the first half of June, 1954. This compares with the average rate of 3.45% that prevailed during June of 1953.

The about face in the Administration's fiscal policy since the summer of 1953 brought with it some startling and dramatic swings in government security prices. The most sensitive money market indicator—91-day Treasury Bills —were quoted on a 2.416% basis in June of 1953 and were eagerly bought by corporations for tax anticipation purposes. By June, 1954, these bills were sold by the Treasury on a 0.616% yield, a decline of 1.80%.

The accompanying table graphically illustrates the dynamic upsurge in the price of representative government bonds within the past year as a consequence of the modification of the Treasury's attitude regarding the money market. This writer continues to subscribe to the school of thought that we will continue in an era of prolonged easy money and that somewhat lower rates are still ahead.

		Price		Yield		
		6-1-53	6-30-54	6-1-53	6-30-54	Price Inc.
2¼% bonds due	9-15-59	95.14	101.30	3.12	1.32	6½
2¼% bonds due	12-15-62	92.00	101.16	3.24	1.96	10½
2½% bonds due	9-15-72	89.28	100.00	3.21	2.50	10⅛
3¼% bonds due	6-15-83	98.22	110.16	3.32	2.65	11¾

Ludwak to Coast; Lewis With Cantor

BEVERLY HILLS, Calif.—Charles Ludwak, Vice-President of Cantor, Fitzgerald & Co., Inc., underwriters and distributors of investment securities, has transferred from the firm's New York office to the main office in Beverly Hills, Calif., at 232 North Canon Drive, it was announced by B. Gerald Cantor, President of the firm.

Mr. Ludwak will specialize in the purchase of businesses and in "special situations." He has been associated with the company for two years.

George N. Lewis has been appointed Director of Research by the firm. Mr. Lewis was formerly an analyst for the E. W. Smith Co. of Philadelphia.

Morgan Stanley Group Offers Gen. Motors Acceptance Debs.

Representing the largest corporate offering to come to market so far this year, two new issues of General Motors Acceptance Corp. debentures, amounting to $150,000,000, were offered publicly yesterday (July 21) by a nationwide investment banking group comprising 235 investment firms headed by Morgan Stanley & Co. An issue of $75,000,000 carrying an interest rate of 2¾% due July 15, 1964 is priced at 99% and accrued interest to yield 2.865% to maturity. The $75,000,000 of 15-year 3% debentures due July 15, 1969 are offered at 100⅝% and accrued interest to yield approximately 2.97% to maturity.

The 10-year debentures are subject to redemption at 101% if redeemed prior to July 15, 1955 and thereafter at prices decreasing to the principal amount on July 15, 1962. The 15-year debentures are redeemable at 102⅝% if redeemed prior to July 15, 1955 and thereafter at prices decreasing to the principal amount on July 15, 1966.

Proceeds of the sale of the debentures will be used by GMAC for the payment of $87,500,000 of 2¼% debentures due April 1, 1955 which have been called for redemption on July 29, 1954 at 100% and for the payment of $40,000,000 of 3¾% notes due May 1, 1965 which have been called for prepayment on July 29, 1954 at 102%. The balance of the proceeds will be added to working capital. The $87,500,000 of 2¼% debentures are part of an issue of $175,000,000 of debentures, half of which was redeemed on June 15, 1954.

GMAC finances the distribution of new products manufactured by General Motors Corp. to dealers for resale and finances dealers' retail instalment sales of new General Motors products and used units of any make. During the first five months of 1954 automobile financing comprised 97% of the company's dollar volume of receivables purchased, the balance representing other products of General Motors, including Frigidaire electric refrigerators and other household appliances, air conditioning and commercial refrigeration equipment, heating equipment and Diesel equipment for railroads and other industries.

During the five years 1949-1953 the annual volume of receivables acquired by the company increased from $3,028,812,542 to $6,697,832,386 and for the first five months of 1954 the volume was $2,856,317,711. Notes and bills receivable held by the company, which stood at $528,417,941 at Dec. 31, 1948, increased to $2,331,275,838 at Dec. 31, 1953 and to $2,551,519,519 at May 31, 1954.

GMAC's consolidated total operating income rose from $60,838,000 in 1949 to $185,054,000 in 1953. Income before interest and income taxes for 1953 was $125,313,000. For the three months ended March 31, 1954 total operating income was $51,325,000 and income before interest and income taxes $37,120,000.

M. C. Leonard Opens

SALT LAKE CITY, Utah — M. C. Leonard has formed M. C. Leonard & Associates with offices in the Tribune Building to engage in the securities business.

Samuel Friedman Opens

MONTICELLO, N. Y.—Samuel Friedman is engaging in a securities business from offices at 219 Broadway.

Christopher Morris Opens

KINGSTON, N. Y. — Christopher D. Morris is engaging in the securities business from offices at 261 Fair Street.

European Countries Nearing Convertibility

By GEORGE F. BAUER

Vice-Chairman, United States German Chamber of Commerce

Mr. Bauer maintains Germany, Switzerland, and England are moving toward sound convertibility with their currencies redeemable in gold for all holders, and asks question: "Shall Europe rather than the United States be the leader?".

Developments in Germany, Switzerland and England seem to indicate that those countries rather than United States may take first actions to put their currencies on the gold standard.


George F. Bauer

Dr. Adenauer is reported as saying recently in Hamburg that the German "currency would be put on a 100% gold and dollar basis by next August if the favorable economic development continued."

This statement seems to imply that the D Mark will become a title soon for all holders to 211 . . . milligrams of gold.

If the dollar were redeemable at $35 per ounce of gold, it would, under the metric system be exchangeable for 889 . . . milligrams of gold.

In Switzerland the greatest progress has been made toward the gold standard. The gold content of the Swiss franc has been officially set at 203 . . . milligrams. As yet the national bank is not obligated to redeem its notes for all holders; it is, however, required to hold the Swiss franc close to the legal rate by purchases and sales of gold in the open markets within definite limits prescribed by the Federal Government. Once the national bank is obligated to redeem its notes into gold and vice versa for all holders at the official rate and not simply to keep them in a fixed relationship to gold in the open market, Switzerland will be on a full gold standard. With new 50 S franc and 25 S franc gold coins to be circulated by fall of this year, it may be assumed that Switzerland is working toward—not a bullion gold standard—but rather toward a full fledged gold coin standard.

England recently allowed Americans, among others, outside its borders to obtain for every $35 an amount of British currency sufficient to obtain one ounce of gold, provided the transaction involves $14,000, or 400 ounces of gold. Certain foreigners are consequently being given the right to exchange their money for British currency and obtain gold for it. Britishers are not yet given that privilege. With improving gold reserves, it may be assumed that Great Britain will work toward the final objective of making the pound sterling a title for all holders to 2,488 milligrams of gold.

Once these actions by Germany, Switzerland, and England come to pass, three important currencies will be on a basis of the only kind of convertibility that merits that designation, namely, convertibility achieved through exchanges of titles to definite quantities of gold implied in the money units. Action of this kind by even one of these countries alone would be encouraging.

International transactions of long-term range may predominately be expected to be specified in any one of such "gold-titled currencies" regardless of countries in which developed.

To be considered "prime currency for international transactions," the United States dollar will need to become a title for all holders and not discriminatorily for central banks only.

If these four important currencies were convertible on basis of their respective titles to specific quantities of gold, a great lift to world trade could be given as result of encouragement of long-range investments under private enterprise in most parts of the world.

World trade under private enterprise could then display its tremendous advantages through initiative of millions of individuals everywhere and by contrast expose the shortcomings of managed economies. Private enterprise if not adulterated by socialism can win in any contest with dictatorship systems. Convertibility of currency through the gold standard will strengthen private enterprise in this contest by taking the dagger of socialistically corroding money units out of its back.

Halsey, Stuart Group Offers Baltimore Utility Bonds

A group headed by Halsey, Stuart & Co. Inc., yesterday (July 21) offered $40,000,000 Consolidated Gas Electric Light & Power Co. of Baltimore 3% first refunding mortgage sinking fund bonds, series Z, due July 15, 1989, at 100.65% and accrued interest, to yield 2.97%. The group was awarded the issue at competitive sale July 19 on a bid of 100.129999%.

Of the net proceeds received from the sale, approximately $24,900,000 is to be used to redeem the outstanding series Y 3⅞% first refunding mortgage sinking fund bonds and the balance will be available for general corporate purposes, including proposed construction expenditures. Continuing growth in the number of customers served, and increasing demands for electric and gas services require the company to make substantial expansions of its facilities. It is estimated that the construction of new plant and equipment and the replacement of existing facilities may require the expenditure of approximately $30,000,000 in 1954 of which approximately $6,000,000 was expended through March 31.

The bonds will be redeemable at the option of the company at prices ranging from 103.65% to par and by operation of the sinking fund at prices ranging from 100.66% to par.

The company, incorporated in 1906, is primarily engaged in the production and distribution of electricity and gas within the State of Maryland where all of its properties are located. The company furnishes electricity and gas in the City of Baltimore and adjacent territory. The area served with electricity contains approximately 2,283 square miles and has an estimated population of about 1,550,000; the area served with gas contains approximately 275 square miles and has an estimated population of about 1,300,000.

For the year 1953 operating totaled $98,184,633 and net income amounted to $10,636,735.

Complexities in Determining Utility Earnings Requirements

By EUGENE S. MERRILL*
Executive Vice-President
Standard Research Consultants, New York City

Mr. Merrill reviews the formulas adopted or proposed for determining public utility earning requirements. Criticizes the "cost-of-money" approach to the problem as causing utility earnings to fall below the competitive level, and holds the best guide as to what constitutes "adequacy" of utility rates is the earnings return on business enterprises regulated by competition.

The subject of "Utility Earnings Requirements" is not a new one. It has been discussed in countless articles, speeches and round tables, and has formed a major part of rate hearings from coast to coast in recent years. The fact that the subject is considered worthy of further discussion at a meeting such as this is indicative of its importance and of the wide disagreement that exists as to what constitutes the earnings requirements of a utility under present conditions.


Eugene S. Merrill

The determination of the earnings requirements of a public utility company is not a simple matter. The courts of the country have not considered it so: a whole literature on the subject has developed over the years from the decisions of various courts, including the Supreme Court of the United States. While tests and guideposts have been developed by the courts which utility companies and public utility commissions attempt to follow, there is enough conflict and ambiguity in the court decisions so that constant disagreement as to principles arises in most rate proceedings. While a single commission may for a while define what it considers utility earnings requirements in definite terms, the fact that there are such wide differences of opinion between commissions is further indication of the complexity of the problem. Even the utility companies do not agree as to the earnings they require. While they all agree that more earnings are needed under present day conditions, there is considerable disagreement as to how to measure the earnings required. Some companies will emphasize the need for more adequate depreciation allowances to take care of replacements at inflated price levels; other companies will insist on a rate base calculated on reproduction value; others will insist on earnings sufficient to keep the price of the common stock a given percentage above book value; and still others will insist on a rate of return somewhat commensurate with that being earned by nonregulated industry. This lack of uniformity adds to the complexity of rate proceedings.

In view of these many complexities and the disagreement between authorities, it is only natural that all parties involved in rate controversies should seek a simple and easily applicable method of determining the earnings requirements of a utility company. The utility companies would like a simple method of determining earnings requirements so as to shorten the proceedings and to cut down the delay in obtaining the rate increases requested. The public utility commissions, working as they are with limited staffs and under a tremendous work load, would welcome any method that would shorten proceedings and produce fair answers quickly.

The "Cost-of-Money" Rate Base

The desire for a simple straightforward, mathematical method of determining earnings requirements of utilities has given rise to the popularity of the application of socalled "cost of money" to an investment original cost rate base. Among the reasons for the popularity of the "cost of money" approach are the following:

(1) The term "cost of money" has a straightforward practical sound.

(2) What purports to be "cost of money" may be computed from figures obtained from the books of account of the utility and from market quotations derived from actual transactions of the company's and other utilities' securities.

(3) Computation of so-called "cost of money" is a simple matter, requiring little more than addition of bond yields or costs, preferred stock yields or costs, and earnings-price ratios.

Of course, those of you who have heard economists, investment analysts, and other experts hold forth on such subjects as pressure, imbedded costs, spot ratios, optimum capitalizations, and payout ratios, may not consider the approach such a simple one. These complexities, however, are seldom introduced by the "cost of money" expert: it seems to be always the objector to the simple mathematics who introduces the complexities in order to adjust the "cost of money" figure up or down.

The utility companies are themselves responsible to some extent for the popularity of the "cost of money" approach to rate of return. In the late 30's and early 40's, a number of utility companies used "cost of money" calculations as a measure of their required rate of return. The stocks of such companies were depressed at the time for one reason or another, and the earnings-price ratios used in the calculation of "cost of money" gave a resulting figure which was satisfactory to the utility companies as a rate of return.

In almost every rate proceedings since then, studies have been presented on "cost of money." In this regard, the Federal Power Commission last year in Order No. 165, required natural gas companies proposing major rate changes to submit data on "cost of money," including debt capital, preferred stock capital, and common stock capital. Specifically required are computations on earnings-price ratios.

The stocks of many companies in the rapidly growing natural gas industry are selling high in relation to current earnings. Such companies, of course, contend that the "cost of money" computed on the basis of low earnings-price ratios has no significance as a guide to rate of return and utility earnings requirements. A few natural gas companies, however, whose stocks are selling low in relation to earnings, welcome the "cost of money" figure computed under the requirements of the Federal Power Commission in Statement F. But for such companies, the commission staff contends there must be adjustments made because of low dividend payout or other reasons.

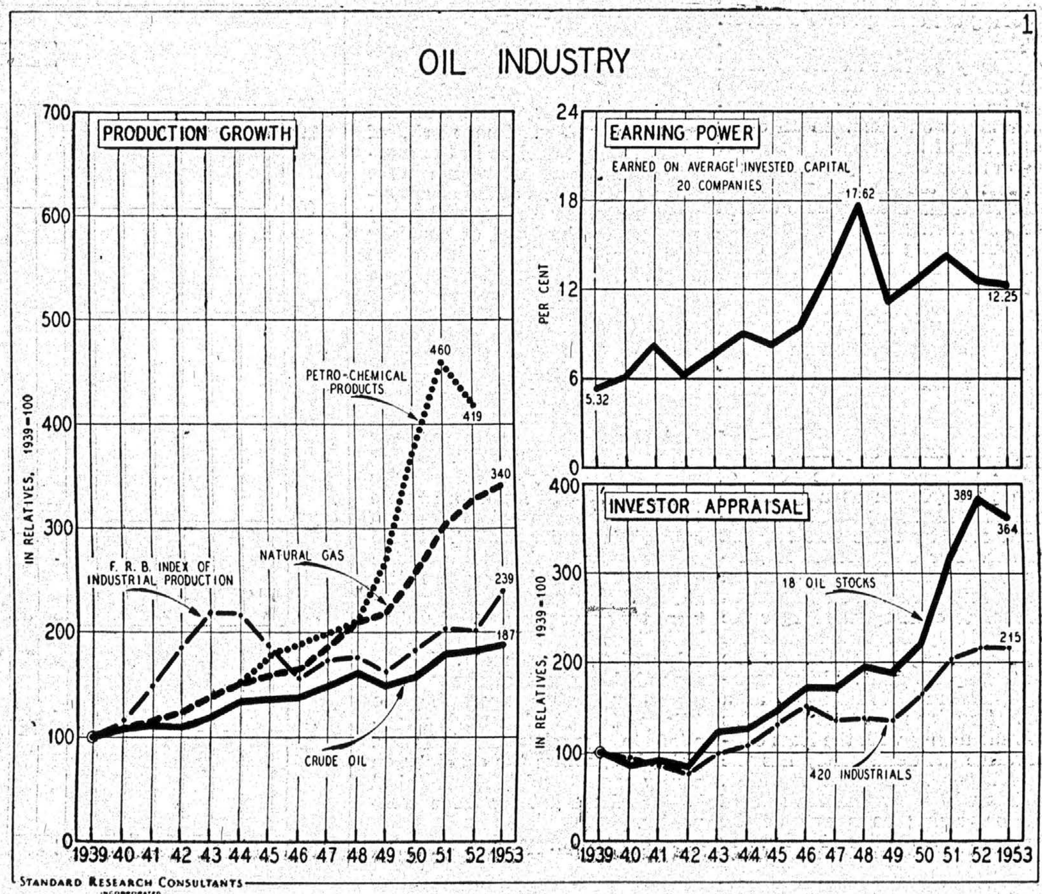
The fact that within the same industry the "cost of money" approach gives an answer for one company that is considered satisfactory by the commission staff and too low by the company, and that the same approach gives an answer for another company that is considered satisfactory by the company and too high by the commission staff, suggests that the approach may be fallacious.

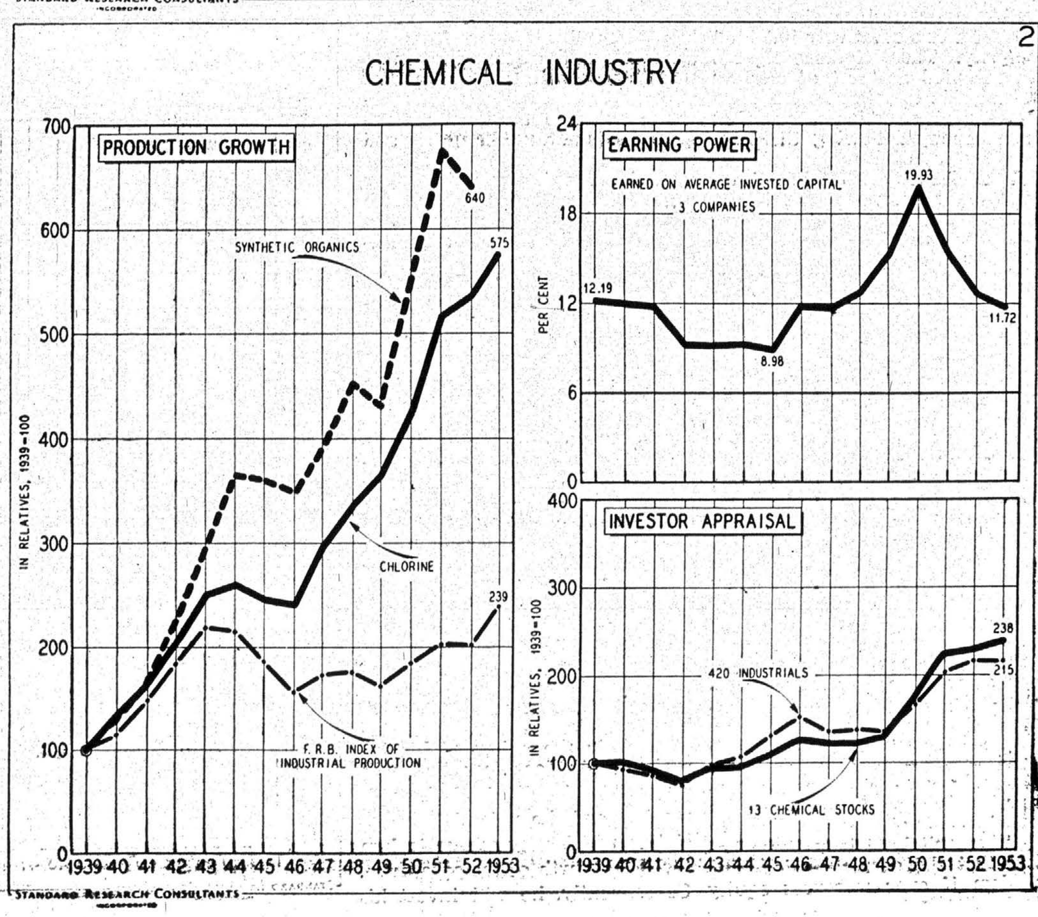
As "cost of money" is an easy approach to rate of return so also is book investment based on original cost an easy approach to rate base. When the book figures are accepted, there is no need for lengthy studies on reproduction value, observed depreciation, and trended costs. Original cost became popular in regulatory circles during the 30's largely for accounting and financial reasons. The excess valuation above original cost on the books of account of utility companies stemmed largely from the rapid acquisitions and mergers in the early developmental days. Reproduction value as a concept in rate making fell into disrepute. This had little effect then as reproduction value differed little from original cost. When inflation came with the war and the postwar boom, the concept of reproduction value was suspect at the very time when it was needed for the determination of utility earnings requirements.

Complexity of Reproduction Value Base

The complexity of reproduction value studies in the past and the frequent insistence by valuation engineers on reproducing every item of the physical plant inventory irritated public utility commissions and caused many commissioners to believe that the whole process was a kind of legal-engineering hocus-pocus. I have in mind a railroad reproduction value study made many years ago in which one of the valuation engineers was called upon in the course of the study to determine the present value of a small outbuilding at a wayside station. For some reason this small building had been built of mahogany—probably because a few pieces of this valuable lumber had been available from some stray shipment many years before. Reproduction value meant reproduction value literally to this valuation engineer and so this outhouse was

Continued on page 20





*An address by Mr. Merrill before the New Jersey Utilities Association, Absecon, N. J.

Continued from page 19

Complexities in Determining Utility Earnings Requirements

reproduced new in mahogany on the valuation study.

More recently, I read of a reproduction value study of an electric utility company involving the cost of tree trimming and clearing of a right of way for a transmission line. The engineer, in addition to making necessary adjustments for present-day wages for tree trimmers, made a further adjustment because the trees would have been larger as of the present and therefore have required more hours to trim. Instances of this kind in no way disprove the validity of reproduction value as a concept in rate making. But they have done much to bring the concept into disfavor.

The fact that original cost figures may be taken directly from the books of account is no reason for basing value or earnings requirements on them. In all other branches of the economy, neither buyers nor sellers pay much attention to the cost of properties in arriving at a sales price except for accounting and tax purposes. A man selling a house does not accept book cost because of the complexity of determining reproduction value. I believe that regulation should take reproduction cost into consideration in determining utility earnings requirements. I recommend that utility companies present data on the subject in as simple and straightforward manner as possible.

The weakness of the "cost of money" approach as a guide to rate of return is generally recognized even by those who support its use. For example, it is generally recognized that a common stock will tend to sell higher in relation to earnings the larger the dividend payout. This means the higher the payout, the lower the earnings-price ratio. If the earnings-price ratio is accepted as a cost of equity money, it indicates that the utility with the least conservative dividend policy has the lowest "cost of money." Also, studies will show that the sum of the borrowing costs and of the earnings-price ratios of a heavily indebted company will usually be lower than the sum of the borrowing costs and earnings-price ratio of a conservatively indebted company. Thus, if these figures are accepted as "cost of money" and a guide to rate of return, the paradoxical situation arises that the company following the least conservative dividend and financial policies is shown to have lowest "cost of money" and, therefore, should be held to a lower rate of return than a more prudent company. A commission accepting such "cost of money" evidence may be placed in a position of encouraging imprudent utility financing. Such a position is, of course, untenable, and it suggests that the concept may be invalid.

Disagreement over "cost of money" largely centers on equity capital. There is no important disagreement on the cost of bond capital and preferred capital except as to what part of total capital should be represented by each. The starting and ending point for the computation of cost of equity money in most "cost of money" studies is the computation of the earnings-price ratio. It is an easy enough matter to divide the earnings per share by market price per share to compute the earnings-price ratio. While disagreements often arise as to whether a single earnings-ratio should be used or averages covering a period of years, the major disagreement arises as to whether the quotient ever represents cost of equity capital. It is my own belief that the earnings-price ratio seldom if ever measures equity cost in a growing industry. Or to state it in a different way, I believe that the whole concept of cost of equity money may be a false one.

For industrial common stocks, the concept of "cost of money" seems to have no meaning. For example, the common stock of Allied Chemical & Dye has earned $4.60 a share on average in the past five years and has sold at an average price of $63 a share—an average earnings-price ratio of 7.3%. During this same period, this growing chemical company has earned 15.7% on the book value of the common stock. What has been the cost of equity money to this company? Is it the 7.3% average earnings-price ratio, which is the basis for most "cost of money" computations in the utility field? Suppose that the chemical industry were declared to be a utility. The stock, of course, would decline in the market if the rate of return were fixed on the basis of the earnings-price ratio, for that would mean the end of the level of earnings that caused the high price of the stock. No, the earnings-price ratio of 7.3% is not the cost of equity capital for Allied Chemical & Dye. On the other hand, it cannot be contended that the cost of equity capital is the 15.7% actually earned on the book investment, for that would seem to indicate that the more a company earns the more its capital costs. I think what this illustration indicates is that it is difficult if not impossible to apply the concept of "cost of money" to equity capital. It also brings out the fact that to the extent that earnings-price ratios are used as a guide to rate of return, they must be applied not to book investment but to market value of the investment. I have appended a chart at the end of my study further illustrating the fallacy of "cost of money" as applied to the chemical industry. This chart shows the earnings on equity capital and total capital at book and market for three companies.

The "Relative Risk" Base

The emphasis on the "cost of money" concept in recent years has diverted attention from an approach to the determination of utility earnings requirements which I believe offers a more reliable guide to the earnings requirements of a public utility and which squares with the fundamental concept of public utility regulation. This is the approach suggested by the Supreme Court in the Bluefield Case—the relative risk approach.

It must be recognized that the regulated electric utilities, telephone utilities, gas utilities, and the railroads are all part of the economy along with the nonregulated industrial concerns. The utilities and the industrials all compete for the same consumer dollar. Both are dependent for their capital on the same money market. The investors making up the money market are all free agents, having complete discretion as to where and how they invest their funds. They have their choice of a multitude of investment possibilities, including bonds, preferred and common stocks of public utilities, railroads, industrial companies and financial institutions, or real estate and other kinds of property. When an investor buys a security, he is interested in the safety of his investment, the earnings that will support it, the dividends he will receive, and the potential appreciation which may accrue to him through growth of the enterprise. Consequently, he will invest his funds in those securities and properties which show the best combination of all these factors applicable to his own needs, and he will avoid securities or properties which do not, in his opinion, have such attributes. The securities of those companies that have these essential investment characteristics will command a price in the market that will permit these companies to preserve their financial strength integrity.

If a public utility company cannot show earnings commensurate with the risk of the enterprise, its senior securities will not have proper earnings coverage and its common stock will not have sufficient earnings to make it attractive at a reasonable price. Many of the railroads and the traction companies have long since found this to be the case. When earnings are unduly restricted, especially during periods of high business activity, a public utility company may not be able to build up its financial strength to provide for future contingencies and for poor business conditions and, therefore, may be unable to preserve its financial integrity.

The "Competitive" Base

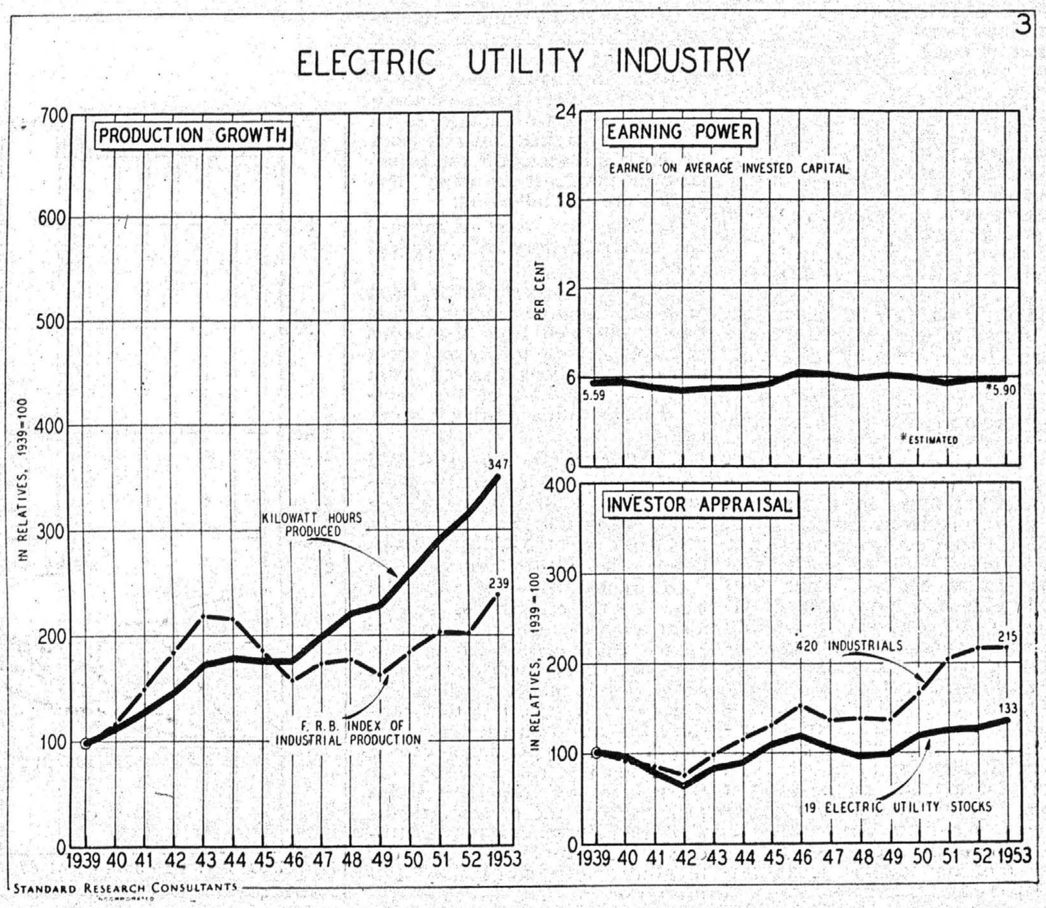
In this regard, it must be recognized that industrial companies, while not regulated by commissions as to profits, are nonetheless realistically regulated by competition. Industrial companies can survive in the economic system only by meeting competition and being successful. For the public utility company, commission regulation is merely substituted for competitive regulation, which means that commission regulation should set the public utility profit at the competitive level. In this regard, I especially like the statement by Professor Walter A. Morton of the University of Wisconsin which he made in the May, 1952, issue of "Land Economics":

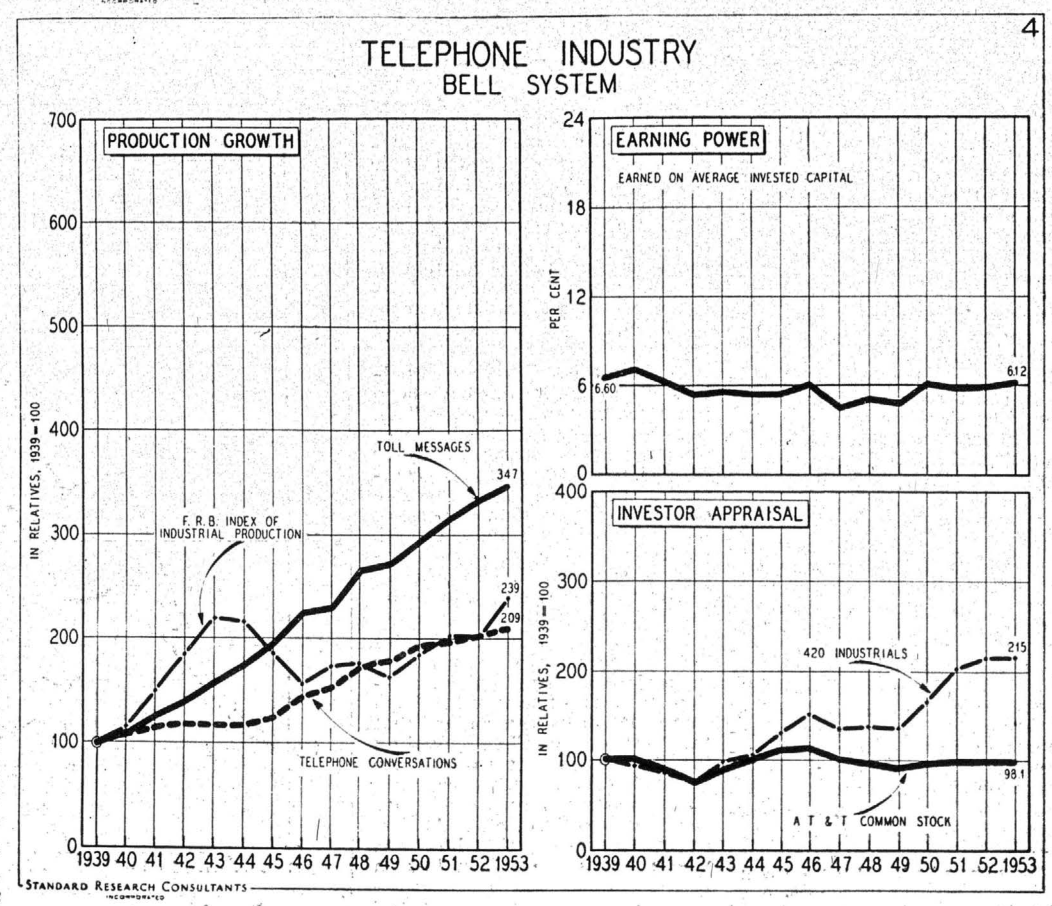
"Its (regulation's) primary aim is to prevent utilities from taking advantage of the monopoly power granted them by the state. Regulation should put the 'consumer' in the same position vis-a-vis public utility enterprise that he is in with the respect to truly competitive industry where he can buy services without discrimination at competitive prices and profits. . . .

"The competitive model serves as a basic guide to regulation."

This concept, as expressed by Professor Morton, clearly fits in with the rule stated by the Supreme Court of the United States in the famous Bluefield Waterworks and Improvement Company case:

"A public utility is entitled to





such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties."

The difficulty in applying the Bluefield rule has been in finding the business undertakings with corresponding risk. In this regard, I think it is clear that the comparison must be made with non-regulated business. There are those who advocate determining the rate of return on the basis of the return earned by other utilities or on the basis of the so-called "cost of money" of other utilities. As the earnings of all utility companies are determined in substantial part by regulation, such a comparision involves circular reasoning and can not lead to a determination of the rate of return as required under the Bluefield decision.

One element of risk, and a factor having an important bearing on the earnings power of an industrial enterprise, is the trend in demand of its product. Among the industries experiencing a growing demand for their products are the oil industry and the chemical industry. The oil industry has experienced not only a continued growth in crude petroleum demand but an even greater growth in demand for natural gas and petro-chemical products. In the chemical industry there has been a tremendous increase in demand for basic chemical products and for such specialties as the synthetic organics and plastic materials.

Investment analysts recognize the above average growth of these industries and characterize their stocks as "growth" stocks. The electric utility industry and the telephone industry have also experienced a rapidly growing demand for their services. The rate of growth for their services has been above average and in line with that experienced by the growth for the oil and chemical industries. I have compared the growth in production of each of these industries — regulated and nonregulated—in a series of charts and compared the trend in each with the over-all trend of industrial production as measured by the Federal Reserve Board Index. Immediately apparent is the fact that from the point of view of economic growth, the electric utility and the telephone industry are in the same category as the oil and chemical industries.

Production for each industry is shown in relatives—1939 equalling 100. In 1953, the general level of industrial production was 139% above 1939. In the oil industry, crude production was up 87%, natural gas production 240%, and petroleum chemicals over 300%. In the chemical industry, chlorine production was up 475% and synthetic organics over 500%. In the electric utility industry production of electric power was up 247%, and in the telephone industry, conversations were up 109% and toll messages 247%. Clearly the regulated industries are growth industries. But the investment analysts do not characterize the electric utility and telephone stocks as growth stocks for the reason that whereas under competition, oil and chemical companies have profited from growth, the electric and telephone industries under regulation have not.

The charts show the earning power of each of these industries as measured by the per cent earned on invested capital. Earning power of the oil industry has increased from about 6% before the war to over 12% in the post-war period—that of the chemical industry from about 10% to approximately 15%. In the same period the electric utility industry has shown no increase in earning power, the per cent earned on invested capital remaining below 6% despite a tripling in power production; and the telephone industry has experienced an actual decline in earnings power.

Investors as well as the investment analysts recognize the failure of the utilities to participate profit-wise in the growth of their services, and the stocks of the utilities have remained relatively static as shown on the charts. Thus in the period from 1939 to 1953, when oil stocks tripled in price, chemical stocks increased almost two and one-half times, and industrial stocks, across the board, more than doubled, electric utility stocks increased only 33% and the American Telephone stock actually declined.

The last chart of the series summarizes the earning power experience and the investors' appraisal of these four industries in the period from 1939 to 1953. Also shown are the earnings of 20 large industrial companies which represent a cross section of American industry. It seems to me quite clear that the competitive model has not served as the basic guide to regulation of the electric utility and telephone industry since the war: the return allowed these industries is something below the competitive level, and the consumer instead of being placed in the same position vis-a-vis the public utility enterprise that he is in respect to truly competitive industry, has been placed in a preferential position in which he is in effect subsidized by the public utility investor.

Substantial Profits Essential to Utilities Growth

Now I am not suggesting that rate of return should be fixed for utility companies at the rate currently being earned by the chemical and oil industries. I am recommending, however, that regulation should attempt to fit the growing electric utility industry, the growing natural gas industry and the growing telephone industry into the general economic picture for growing industries in the industrial field and should recognize that a substantial competitive profit is a natural and necessary concomitant of growth. This approach of the utility earnings requirements suggests a return in the postwar inflationary period well above the return of about 6% earned before the war. The increased earning power is required to build up surplus, to reduce debt, to help finance plants, to provide for plant replacement at higher price levels, and for other contingencies. A business concern during a period of rapid growth should follow a conservative dividend policy and should strengthen its capital position. The utility industry is not in a position to do this with earning power not benefiting from growth in demand.

There is no stigma attached to the fact that the chemical and the oil industry have shown good earnings since the war. Consumers are not worrying or complaining about the rate of return of these companies. Instead, the American people are generally proud of the achievements of these industries in developing new products, improving old ones, and in assisting in defense projects. It is rather strange in a way that so much emphasis should be placed on the desirability of low earnings for a utility company.

In the course of my business travels, I have been taken on many tours through the cities I was visiting and the surrounding countryside. During the course of such tours, I have been shown new supermarkets, modern factories and farms. I don't remember anybody ever telling me how little the supermarket and the factory earned. Or that the farmer had less income than he did before the war. Rather I am told that the supermarket is the best-looking one in the country and that the service is rapid and fine; that the factory is a leading producer and employer in the community; and that the farmer is earning big money and is always adding to his modern farm equipment.

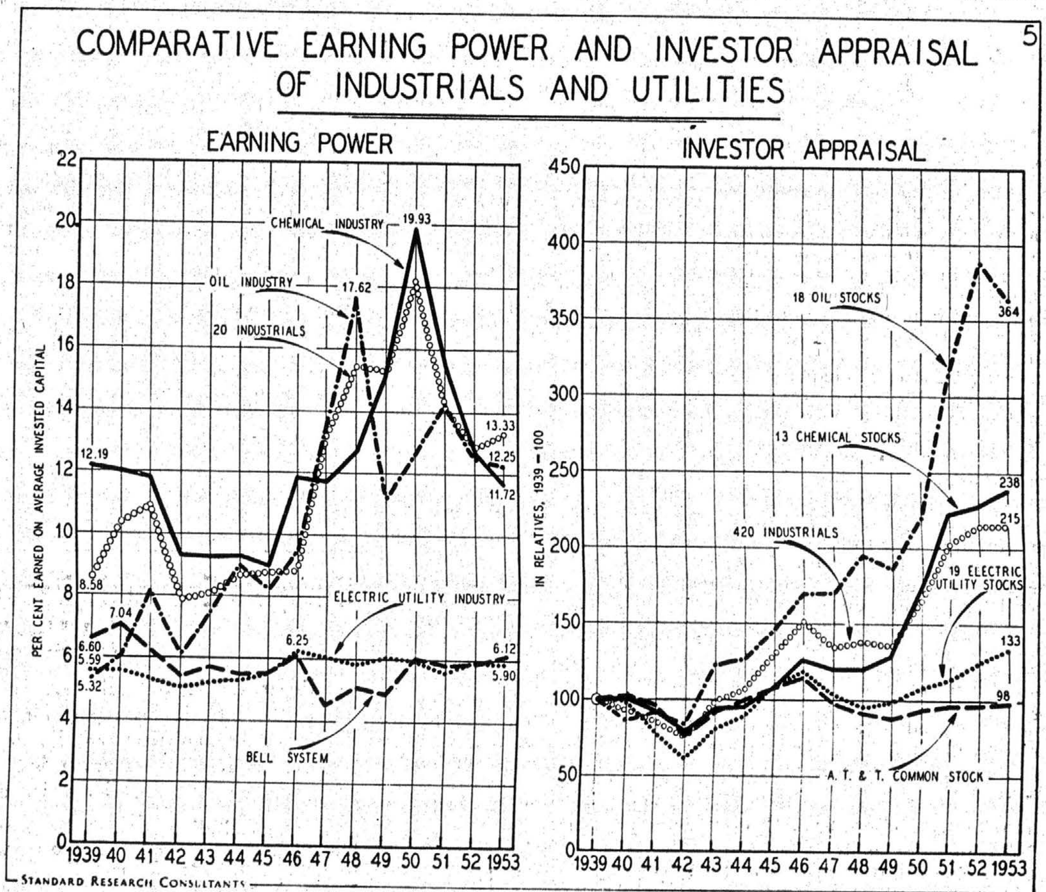
I realize that I have not offered any short cut or easy approach to the problem of determining utility earnings requirements. I do not believe there is such an approach. However, the basic concept of public utility regulation in a capitalistic competitive society is not a difficult one. This concept is that utility earnings should be set at the competitive level. In seeking an absolute measure through the "cost of money" approach, regulation has strayed from the basic concept and earnings have fallen below the competitive level and below the requirements of the industry. All investors in the utility industry have suffered as a result and have in effect subsidized the rate payers. Thus far, the utility industry has been able to attract sufficient capital from new groups of investors to provide necessary expansion. But then the utility industry has been unable to build up surplus, to reduce debt sufficiently, and generally to build its financial strength. It is important to the consumers, as well as the stockholders, that the utility companies remain financially strong and healthy. Adequate earnings will assure this strength. And the best guide of what constitutes "adequacy" is the earnings return of other business enterprises regulated by competition.

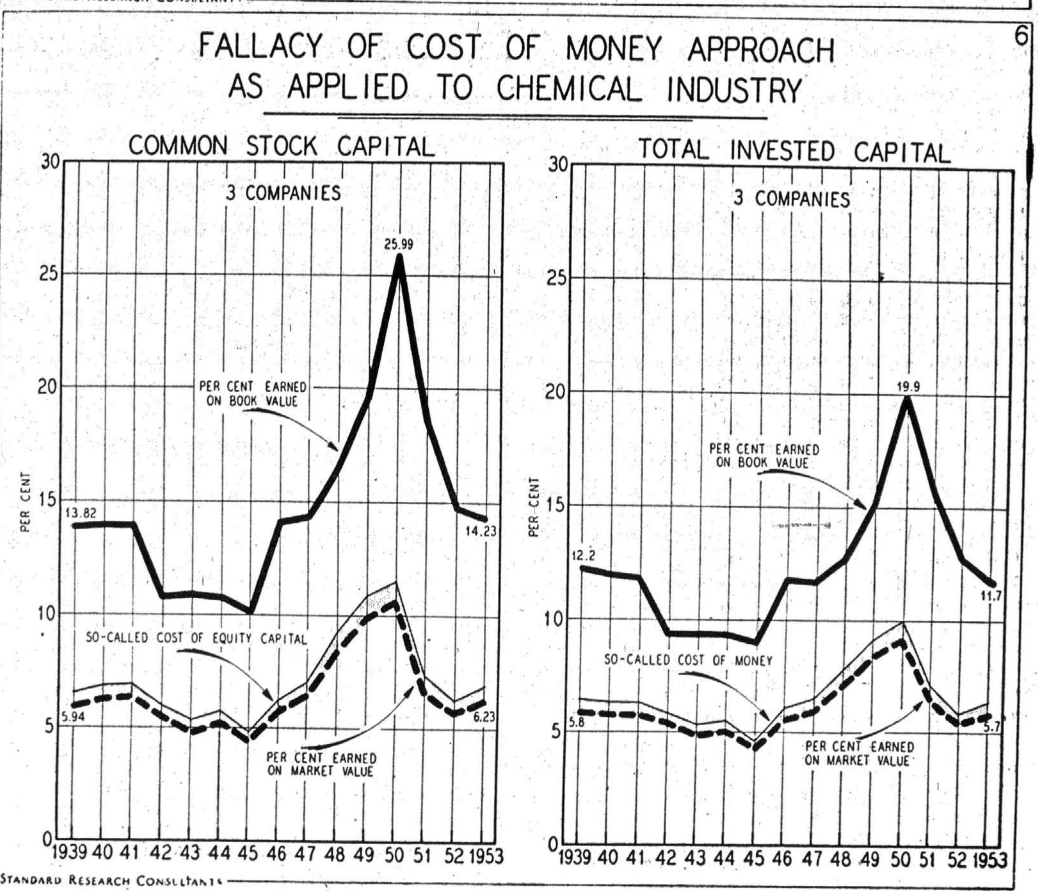
Thomas G. Wylie

Thomas G. Wylie, head of Thomas G. Wylie & Co., New York City, passed away at the age of 72.

Fairman, Harris Co. NYSE Firm Forming

CHICAGO, Ill.—Fred W. Fairman, Jr. will acquire a membership in the New York Stock Exchange, and Fairman, Harris & Company, Inc. will be formed as an Exchange member firm with offices at 209 South La Salle Street. Officers of the firm will be Fred W. Fairman, Jr., Chairman of the Board; David J. Harris, President; Eugene L. DeStaebler, Clarke J. Robertson, Kelley R. Beach, Clayton H. Redfield, Vice-Presidents; Vern V. Reid, Secretary and Treasurer; Oliver B. Stone, Assistant Secretary; and George E. Kraatz, Assistant Treasurer. All were formerly of Sills, Fairman & Harris, Incorporated.



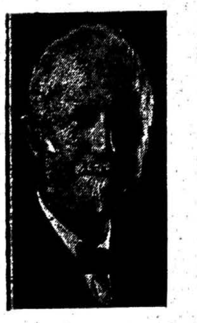


The 1954 Crop Outlook

By ROGER W. BABSON

Estimating over-all crop production in 1954 as only moderately under record established in 1948, Mr. Babson foresees bumper corn and soybean crops. Says government's price support program will have to be revamped as farm surpluses have mounted to fantastic levels at taxpayers' expense. Favors flexible price supports as "only thing that makes sense."

The remarkable fecundity of America's farm lands will be graphically demonstrated again this year, if weather and other crop conditions continue favorable. My survey of the over-all picture indicates that the total outturn of all crops will be only moderately under the world record established in 1948.



Roger W. Babson

For only the second time in 11 years, 1954 wheat production may fail to exceed 1,000,000,000 bushels. Although the winter crop — now about harvested — has done well, with an indicated crop of around 759,000,000 bushels, black stem rust has hit the spring crop in the Dakotas and Minnesota, cutting yields down in that territory. However, I forecast adequate total supplies. I predict also that sizable amounts will enter storage under government loans. This could result in temporary higher prices later on.

Prospects for most of the other grains are quite promising. I expect output of oats to hit a record high of over 1,500,000,000 bushels. The flaxseed crop may be the second largest on record, and the hay crop the third largest. A big barley crop and a sizable rye outturn also are indicated. This is a favorable development for cattle, hog, and poultry raisers. Incidentally, I predict that the number of cattle and hogs on farms next January 1 will be relatively large.

Bumper Corn and Soybean Crops

Corn farmers really went to town at planting time last spring; in fact, they planted nearly a half million acres more than planned in the March intentions. The second largest crop on record is currently indicated; but what the final outturn will be remains to be seen. Much depends upon the weather between now and harvest time. With the hog-corn ratio still at favorable levels, a large corn crop could be profitable for hog producers.

I have long been intrigued by soybeans—one of the nation's most versatile crops, with a phenomenal growth curve in recent years. I should not be surprised if farmers put more acreage into soy beans this year than ever before, because of diversion of acreage from crops under allotment programs, attractive prices, and favorable planting conditions. This could mean a large crop and downward pressure on soybean prices at harvest time.

Cotton and Other Fall Corps

Heavy supplies of U. S. cotton would have glutted markets and severely depressed prices during the past year had it not been for government loans. Yet, the basis has been laid for an improved statistical position in the 1954-1955 season. Cotton farmers more than complied with the government's rigid control program. Acreage in cultivation on July 1 was sharply under a year ago and the 10-year July 1 average. Total supplies, nevertheless, will be sizable, but prices will be well propped at 90% of parity.

Other fall crops, with the exception of potatoes, promise to be in large supply. Potatoes, however, should be in good balance with requirements, barring further damage to the Maine crop. Baked bean lovers can look forward to full pots. Rice pudding devotees also have nothing to worry about, since a record outturn of this grain is indicated. Production of sugar beets this year is likely to be far above the 10-year average. This will further complicate the problem of a world over-supply of sugar; but U. S. prices may be well controlled by the Federal Import Quota Program.

What About Price Supports and Farm Income?

The government's price support program will have to be revamped. Under the present system, farm surpluses have mounted to fantastic levels at the taxpayers' expense. While it will require a high degree of political courage to do the right thing, I believe that we are on the way. If farm price supports are to continue, they certainly should be directly geared to the size of the crops produced. This means a flexible system, which is the only thing that makes sense.

As far as farm income is concerned, I believe that the 1955 outlook is favorable. Although there may be a slight decline as compared with 1954, the farmer's net income will still be substantial, and a strong bulwark to the national economy. Farming is an essential industry. Its people are industrious, sensible, and highly religious. I do not believe they ask for or need any special privileges; but they are entitled to a just share of the nation's economic prosperity.

Improvement in Trade Payments

National Association of Credit Men survey reveals more business concerns paid obligations promptly in May than in February 1954.

A greater number of business concerns were paying their trade obligations promptly in May, 1954 than in February, 1954, according to the latest survey completed by the Credit Research Foundation of the National Association of Credit Men. The survey results show that the percentage of manufacturing accounts discounting their bills or paying when due increased from 85.6% in February to 87.3% in May. However, manufacturing accounts were still below the level of May a year ago, when 87.8% were settling their obligations in accordance with suppliers' terms.

Retail accounts also showed improvement. The survey data, furnished by credit executives in 28 principal cities, reveal that 81% were in the discount or prompt category in May, compared to 79.8% in February. In may a year ago the figure was 81.4%.

Wholesale accounts, on the other hand, lagged by 0.1 in May, compared to February. The percentages are 84.7% in May, 84.8% in February. A year ago, in May, the percentage was 86.2%.

Negotiate Merger of Ames, Emerich With Blair, Rollins & Co., Inc.

Joshua A. Davis, Chairman of the Executive Committee, and Emmons Bryant, President of Blair, Rollins & Co., Incorporated, announce that negotiations are under way to expand its organization in Chicago and the Middle West through the acquisition of

Donald E. Nichols

Joshua A. Davis

Emmons Bryant

Ames, Emerich & Co., Inc., a Chicago investment firm since 1911. As soon as negotiations are completed the present Ames, Emerich organization will become the Chicago office of Blair, Rollins. The latter's present force there will be consolidated with the new office of the firm, Mr. Davis and Mr. Bryant said.

They described the acquisition of Ames, Emerich as another step in a program of expansion they had had under way since they joined Blair, Rollins in January, 1953. Prior to joining Blair, Rollins, both had for more than 20 years been associated with Reynolds & Co., being partners of the firm when they withdrew.

"This addition to our distributing organization in the Middle West is an important step in our plans," said Mr. Davis. "Ames, Emerich has been identified with the investment business in Chicago and the Middle West for over 40 years and we are gratified to have the opportunity of joining forces with them in that major market." The Chicago firm's six branch offices will give Blair, Rollins a total of 26.

Donald E. Nichols, President of Ames, Emerich, will become Vice-President in charge of the Chicago office of Blair, Rollins when the merger is effective. E. Cummings Parker and Ores E. Zehr also will be Chicago Vice-Presidents.

Mr. Nichols has been in the investment business since 1921. He joined Ames, Emerich in 1944 and has been President since 1951. He is a director of Aerovox Corporation, Soss Manufacturing Company and the Di-Noc Company. Mr. Parker formerly was a partner of Glore, Forgan & Co. He is a director of Davis Regulator Company. Mr. Zehr has been connected with Ames since 1916 and is a director of Bell & Gossett Company.

Europe's Economic Recovery Substantial But Much Remains to Be Done

Roger Auboin, General Manager of the Bank for International Settlements, in his report for year ended March 31, 1954, expresses optimism on European economic recovery and greater freedom of trade but finds currency convertibility still remains as problem.

In the concluding paragraphs of his elaborate report on world monetary and trade conditions, Roger Auboin, General Manager of the Bank for International Settlements, Basle, Switzerland, reveals a general widespread improvement in European economic conditions, and finds though currency convertibility, the leading factor in establishing sound international trade relations, has made some progress, its full accomplishment is still to come. concerning the situation, the report states:

"Contrary to many pessimistic predictions, it is now clear that in the past year the more favorable factors predominated. In the United States, the readjustment which was to be expected after so many years of a pronounced upward business trend has not, at least so far, shown signs of involving the American economy in a downward spiral; and for most European countries 1953 was a year not only of consolidation but also of sustained economic growth: in a great many of these countries production has reached new record heights, prices have shown a remarkable degree of overall stability, and monetary confidence has been strengthened, as evidenced by the improvement in reserves and in quotations on the exchange markets, and by the fall in the free-market price of gold.

"These facts are certainly worthy of note in themselves, but they are important in another way, too, since they may well serve to dispel a number of preconceived ideas—not to say prejudices — which have been prevalent in the post-war economic world.

"For one thing, the application of flexible monetary policies has been so successful in many different countries that it can hardly be claimed any longer that changes in interest rates or other measures in the field of credit are ineffective and outmoded as instruments of economic management; for they have shown themselves far superior to methods of detailed and irksome administrative control and the fixing of 'targets,' which in themselves make no contribution to economic expansion.

"Secondly, it had come to be taken almost for granted that even a relatively small decline in industrial output in the United States would lead to a proportionately greater reduction in American imports and that this would, in particular, cause European countries great difficulties through a renewed widening of the dollar gap. It has therefore been most heartening to find that, notwithstanding the fall over the past 12 months in the U. S. index of industrial production, European countries have continued to produce and export at a high rate and to add to their gold and dollar holdings. These things are not determined by blind fate; on the contrary, if the proper measures are taken on both sides of the Atlantic a very useful influence can be exercised on the trend of affairs.

"Thirdly, there has been a strange notion, entertained in many circles, that a strengthening of monetary reserves and an improvement in the value of individual currencies could be achieved only by a policy of 'deflation' and at the cost of heavy unemployment. The fact that in so many European countries the monetary-reserve position has been strengthened and currency values have improved since the summer of 1953, as is confirmed by the market quotations, and that all this has been found possible at a time when industrial output and employment have been on the increase, ought to bring home the surely obvious truth that monetary rehabilitation and economic recovery are not alternative and contrary objectives but should, in properly framed policies, be pursued as twin aims of equal importance.

"It is no mere accident that some of the countries which have recently placed more reliance upon the forces which operate in free and extensive markets have achieved most satisfactory results. But there are limits to what can be done by monetary policy alone; now that the government sector plays such an important role in economic life, it will need more than ever to be supplemented by sensible budgetary policies.

"Budgetary surpluses may prove to be an effective help in the reconstitution of monetary reserves, as has actually been shown by the examples of the Netherlands, and Western Germany. But, with government expenditure at its present high level, it is not to be expected that large amounts of savings can be mobilized in this way; the essential problem in most countries is rather so to limit overall budgetary expenditure that it becomes possible for savings activity to produce the resources required for continued economic growth.

"The moment has certainly not yet come to sit back and look with complacency on the results already achieved. What remains to be done is in some ways perhaps more difficult than what has already been accomplished, considering that in the first years after the war the most urgent problem was to overcome physical shortages of goods and services and to combat open inflation. For instance, the restoration of order in the public finances, including the limitation of Treasury commitments, remains for many countries, burdened as they are by heavy military charges, a problem that calls not only for stubborn determination but also for the making of some by no means easy choices.

"In many countries there is the further task of establishing wide and effective capital markets, since they constitute an essential condition for the sound financing of investments which, in turn, are the key to lasting economic progress. For the damage wrought by 20 years of crisis, war and makeshift economic policies cannot be repaired overnight. An improvement in productivity, by which alone the living standards of the great mass of the people can be raised, requires not only the cooperation of all factors of production but, in some countries, rather difficult structural changes. It is becoming increasingly evident that progress in this direction can be achieved only if a high degree of freedom is restored to trade and payments, even though certain temporary measures may have to be taken in order to mitigate the hardships necessarily involved in such adjustments.

"It is not only from a general point of view that liberalization of trade and payments is desirable. Far from being, as often seems to be thought, a concession to the interests of other countries, the removal of trade and payments restrictions must be regarded as a necessary condition for health and expansion in each country's domestic economy. It is interesting to note that in Eastern as in Western European countries the objective of higher productivity has been brought resolutely to the fore. There could have been no greater insistence on this point than in recent speeches by leading members of the Soviet Government. So far as the Eastern countries are concerned, monetary stability is patently regarded as a prerequisite for an advance in productivity and a properly ordered economic life; no illusions are entertained that it is possible to conjure up resources by means of cunningly devised measures of credit expansion. Genuine savings are essential to the USSR, as to any other country, for they alone can furnish the resources required for the carrying out of the investments that are so urgently needed.

"For a long time it has been very difficult indeed to arouse sufficient interest on either side of the Atlantic in the question of monetary policy. Only a few unheeded voices maintained that monetary rehabilitation was not simply a question of economic orthodoxy or financial rectitude but a basic condition of lasting economic and social progress.

"Fortunately, this matter has recently been considered more seriously if not always with the sense of urgency that it deserves.

"In the United States, the conclusions of the Randall Commission may to some extent represent a compromise solution, but they would, if accepted, bring about better conditions in many respects and provide the minimum basis for active transatlantic co-operation, thus reducing the danger of a division within the Western world of the kind which caused such great losses and so much suffering in the 1930's. It is certainly valuable that the main lines of an American contribution to the co-operative enterprise of a return to currency convertibility have been defined by a government commission set up by the United States itself.

"Instead of merely discussing the question of convertibility, the authorities in many European countries have continued to take active measures for its realization. Instead of endlessly arguing the merits and demerits of every possible method of tackling the problem, a beginning has been made with the necessary practical steps.

"Such steps include the reopening of commodity markets, the restoration of spot and forward exchange markets, the unification of different types of account for one and the same currency, the elimination of the discounts at which currencies have been quoted in free markets and the drastic simplification of the more and more complicated but, even so, less and less relevant foreign exchange regulations — and improvements such as these signify the realization of convertibility in practice and in such a way that its official recognition will be little more than a formal confirmation of an already existing state of affairs.

It is, however, necessary that the momentum shall remain strong and be sufficiently sustained to override the powerful resistance offered by bureaucratic routine and the shortsighted objections of vested interests. Sectional and other interests will, indeed, have to recognize that the period of easy profits is over, and that clients need no longer form a queue in the street or have to await their turn in the order books.

"It has at last become evident that greater freedom of trade and payments, far from provoking the catastrophes which interested parties never failed to predict, has increased the monetary and economic strength of the countries concerned; and there are few countries today which are not prepared to join in the common effort.

"To improve and maintain the health of its internal economy is primarily a matter for each individual country, but there is also a definite need for co-operation in the international sphere. If a number of countries move forward side by side towards the goal of convertibility, freedom of trade and payments would be established over an even wider field, and many strains and stresses would be mitigated by the very extension of the area of liberty. Sometimes in the past the need for concerted action appears to have been cited as a reason for delay but, now that a sufficient number of countries are determined to go ahead with practical measures, coordination of policy should lead to a general increase in strength and thus make it easier for the individual countries to take part in a common action.

"Convertibility still remains the most effective and flexible form of integration in the relations of the European countries with one another and vis-a-vis the rest of the world. The momentum of the movement towards convertibility has not been lost; only dire political emergencies would now be capable of arresting its advance. For this movement is impelled not only by the interests of the individual countries, anxious to consolidate their postwar recovery, but also by the transcending— and no less real— interest of all countries in establishing between themselves the elastic but strongly-knit bond provided by a system of convertible currencies."

Securities Salesman's Corner

By JOHN DUTTON

Prime the Pump With a "Blue Chip"

When I was a boy we lived in the country. Our next door neighbors had an old fashioned pump in their back yard. Every time that the pump would go dry, one of the family would come out with a half a bucket of water and douse it down the pump while they rapidly pushed the handle up and down. Finally the pump would whine and sneeze and accompanied by an ever increasing crescendo of mounting wails, the water would finally gush out of the snout into the waiting pail. It was quite an operation and I have not forgotten that you could push that pump handle up and down until your back was broken, but without some "priming water" you couldn't make that old pump "give" to save your life.

Let's Analyze a Problem

There is an over supply of money invested in "dollar equivalents" these days. The figures run into many billions. In one instance I know of a Savings and Loan Association that is recommending that some of its shareholders find other places for their savings. There is no question that savings banks, savings and loan companies, and United States obligations have a place in every investment program. But some people can invest too much in fixed income investments. When retired people try to live on a 2½% to 3% taxable income. when they could double that return in a well balanced program of good common stocks, mutual funds and some well regarded corporate and utility bonds, it is just foolish to tell them — all's well. Every fair minded official of these savings institutions will agree that an over-emphasis on low yielding "dollar equivalent" investments doesn't add up to a sound investment program for many people.

Scared Money

There is only one reason why people have placed such a huge amount of their savings in institutional savings accounts and that is that they feel safer with their money there. It gives them a feeling of security to know that if they want dollars they can obtain them on demand, and they will receive the same number of dollars that they invested originally, plus interest when they ask for them. Every educated person realizes that although this is true as far as it goes, there is no guarantee that the future dollars upon which so many millions of our people are placing their trust, will be as large as the dollars they are depositing.

But this is not the time nor the place to argue this point. In fact, it is doubtful if those who have such implicit faith in the sanctity of dollars could be reached by any educatioal program. Their present investments are primarily based upon an emotional approach to the problem. Any attempts to inform, or educate, would be unsatisfactory merchandising policy on the part of those who would like to channel some of these funds into stock and bond investments that are paying a higher income return than now available to these same people on their various low return savings accounts.

The approach should be affirmative rather than educational or informative.

Now Let's Get Back to the Pump

If you were a saver and you had your money salted away at a maximum of 3%, and you knew very well that kind of income does not go very far at the grocery store these days, possibly in the back of your mind you might be thinking about some other place for at least a part of your savings that could help you to do a bit better toward providing the income you need. Add to that a certain psychological atmosphere that has been gathering momentum during the past year or so, where in some of your friends have bought a few shares of stock and have been doing alright. Besides, there is some news in the paper occasionally about extra dividends on certain stocks. The shares in the power and light company in your home town also have been paying good dividends and they have been advancing in value. A few of your friends have tried it out and they like the idea of getting some substantial dividend checks every three months from good companies that are well known to you. Under such circumstances you might be receptive to a suggestion yourself.

Then one day you happen to notice an advertisement by an investment house in your local paper. It mentions that you can obtain an income return from the shares of stock of the A.T. & T. that will bring you over 5.25%, and those checks will come to you every three months. Don't you think you might be interested in going a bit farther and calling that investment firm just to find out a few more facts? That's the "primin' water" you might need to start you off on a sound program of investments, which would still include savings accounts but also would help you to live much better on the income derived from the capital you have acquired.

General Motors, American Telephone, the utility in your town, these are the kind of institutions the average American who has too much "Scared Money" hiding away at a low income return might consider. Once the pump is primed he might also wish to do a more efficient job of investing his savings.

Grace Foresees Strong Demand for Steel by Construction Industry

Chairman of Bethlehem Steel Corporation says record construction of public and commercial buildings, bridges, and highways will help maintain steel output for some time to come

Eugene G. Grace

A continuing strong demand for steel products by the construction industry will help to maintain steel output for some time to come, E. G. Grace, Chairman of Bethlehem Steel Corporation, stated in a communication addressed to employees in the current issue of the company's magazine, the "Bethlehem Review."

"In at least four categories of construction — commercial building, non-residential public building, bridges and highways — 1954 promises to be a record or near-record year," the steel executive asserted.

"In addition, the nation has a backlog of needed construction which should maintain strong demand for several years to come. By that time, it is reasonable to conclude that even greater demands will have been generated."

Mr. Grace noted that like other businesses, steel fluctuates with the general level of economic activity in the country and when that level declines, steel production normally reflects the trend.

"However, Bethlehem's experience in the first half of 1954," he added, "shows how sound long-range planning can minimize the effects of a general economic readjustment."

The Chairman pointed out that Bethlehem makes a complete line of steel products to meet construction demands and today is "in the forefront of the fabrication and erection industry."

"It is not by accident that we are now able to benefit by the fact that the American people are continuing to build for the future. Back in the early years of this century, Bethlehem developed and pioneered the rolling of wide-flange structural shapes. These made the skyscraper possible and revolutionized the art of applying steel fabricated members to all types of building and bridge structures.

"The United States is still a growing nation," Mr. Grace concluded. "Our population is increasing. Our facilities to serve that population must also continue to expand. In the construction field—as in the various aspects of steelmaking — we will share fully in the growth process by continuing to maintain adequate and efficient productive capacities."

Finds Trust Depts. of Metropolitan Commercial Banks Not Profitable

July issue of "Monthly Review," published by the Federal Reserve Bank of New York, reveals results of study of earnings and expenses of commercial bank trust departments in New York and New Jersey.

Consolidated figures from 107 banks in New York and New Jersey show an operating loss in 1953 for their trust department business, the Federal Reserve Bank of New York reports in the July issue of its publication, "Monthly Review of Credit and Business Conditions."

If, however, these figures are adjusted by the addition of "allowed credit for deposits" (income credited to the trust department as earnings on uninvested trust balances deposited with the commercial banking department), the consolidated operating results of trust departments earning commissions and fees of $50,000 or more become profitable, and combined losses of those earning less than $50,000 are considerably reduced, the bank noted.

The "Review" article entitled "Earnings and Expenses of Commercial Bank Trust Departments in New York and New Jersey," discusses the findings of what is believed to be the first survey of its kind. The study was a joint undertaking of the New York State Bankers Association, the New Jersey Bankers Association, and the Federal Reserve Bank in order to enable an individual bank to test its trust department profit and loss experience against that of banks of comparable size.

The 107 banks that participated in the study handle 26,600 personal trust accounts with $2.8 billion of assets and 560 corporate trust accounts with assets of $2.6 billion. In addition, the article contains less detailed information on trust income and expenses for 11 large New York City banks with combined income from commissions and fees of amost $60 million in 1953.

Agricultural History . . . !

"Agricultural history is rampant with instances of farmers offsetting lower prices by increasing output. Had flexible support prices been in effect since 1952, there is no good reason to believe that our current surpluses would have been any less.

"Indeed, they may well have been larger because farm income is price times volume, and when prices decline the classic response of farmers is to increase output so as to earn enough to meet their obligations."—Senate Agricultural Committee.

And with such argument distinguished Senators try to defend proposals for the continuation of obviously unsound subsidies to the farmers of the land!

Technical Progress In Air Conditioning

By ARTHUR J. HESS*

Hess, Greiner & Polland, Los Angeles, Calif.
President, The American Society of Refrigerating Engineers

Refrigeration engineer notes interesting developments in air conditioning and refrigeration industry, because of cooperation of scientists, engineers and producers working to improve designs and equipment. Says consumers should also be consulted so that production of untimely and undesirable equipment can be avoided. Points out wider applications of refrigeration and air conditioning now under way, and refers to use of the heat pump as a refrigeration device. Holds use of nuclear energy will increase refrigeration and air conditioning use. Calls for more research.

Forecasting the future of the air conditioning field is difficult, for we are growing so rapidly that there are few who can keep up with the latest advances in the industry, let alone attempt to project their thinking into the future. Further, the developments required of our industry are dependent upon the requirements of the people and other industries that we serve. Our past and continuing rapid growth does indicate a greater future that includes many developments yet to come which will challege our best brains and all of our industry "know how."

Arthur J. Hess

One of the most interesting developments now unfolding is the trend to build teams made up of scientists, engineers and production people that work out answers to the requests we are receiving for designs and equipments to accomplish certain new results in the application of our products. The development of these teams in industry was a requirement of production in World War II when, due to the shortness of time, we had to simultaneously develop, design and produce new equipment with which to confound our enemies and win the victory so essential to the survival of our social and political system. The refrigeration industry, being a part of industry in general, gained experience in this method of developing new products, and processes and must have found it satisfactory for the method has gained steadily in usage. An additional member should be added to these teams, however, to give better and more profitable results and that is a representative of the users of refrigeration. In this way, production of untimely or undesirable equipment or systems could be avoided and thus limit the economic and manpower losses that result from production and attempted marketing of an undesirable product.

A potential change for the better now indicated in our industry is a tendency to expedite the trend to merge the heating and cooling divisions of our industry. This applies to more than air conditioning. Today both of the two divisions have progressed to the point where much of their work overlaps and in many cases covers exactly the same areas. Our industry does not have the economic right to maintain these two separate groups to do the same thing, especially with the inefficiency resulting from the belligerent attitude of many in each group toward the other. Further, undoubtedly by pooling our efforts we could do better for all including the industries and the people we serve. Undoubtedly we will soon see this necessary development on the way to completion.

*An address by Mr. Hess before the American Refrigeration and Air Conditioning Institute, Los Angeles, Cal.

Contribution of Refrigeration to Food Preservation

Refrigeration reached the present place of eminence in industry principally because of what has been accomplished in the fields of food preservation both during processing, transport and storage. Probably these accomplishments in the food handling field have been some of the principal contributions to enable the great growth of our urban areas, which we have seen in the past 50 years. Developments in this part of the food industry are of great general interest as well as to us in the industry. The household refrigerator has had a steady development and this will continue. One possibility is the development of the electronic cooling unit, about which we have recently been reading. The transportation industry has lagged some in the application of refrigeration, especially the railroads who seemingly abhor change. New reliable mechanical units for trucks are changing this picture some and the change should accelerate at a desirable rate in the future. Of necessity the railroads will have to follow; as a matter of fact, even now they are doing some development work in the field. This is a good example of the benefits received by the people from the competitive system.

Probably the greatest and most interesting developments in the food industry are in the growing and producing portions of the field. For many centuries there were practically no developments in the agricultural industry and even in the last half century almost the only developments were in farm machinery, planting and cultivating methods, developing of fertilizers and some plant breeding. Now we come into a new agricultural era, one participated in by our industry. We are now studying plants and animals under controlled environments to find proper growing and producing conditions for these living things, and believe it or not set up comfort charts for them.

Control of environment includes air conditioning as a major factor. Around the world there are now a number of plant growing research laboratories in which all environmental conditions can be controlled and many more of these laboratories will be constructed in the next decade. From these laboratories will come data to enable the world to increase many fold the present farm production with the same acreage and labor now in use. This can mean food for all in spite of expanding populations and what are now potential famine areas such as India and China. This can be one of the major keys to a good, secure, world peace.

Air Conditioning in Plant Growing Laboratories

While our industry will participate in the design and construction of plant growing laboratories, we will find a greater commercial outlet in the great seed and luxury food growing greenhouses that will result from this research, for it is only by means of air conditioned growing space that we can truly control breeding of species and prevent the inroads of strange pollens, the plant equivalent of "roving males." Animal husbandry is also working with a few pilot laboratories that will produce results of great interest to our industry in the future.

Animal environment laboratories have established the fact that efficiency of animals varies with the environment, something we suspected from our knowledge of humans, since we are also animals. Hogs, for example, grow faster and larger in environments around 70° with normal humidities but experience a falling efficiency curve as the temperature rises to above 90°, where bare existence is possible, and at 100°F, experienced for any length of time, death results. The question is not being studied to coddle the animals but purely from the economic standpoint; in other words, more hog meat for less food money, since at peak efficiency the hogs grow larger and faster. This will mean that there will be some form of cooling used by most hog growers in the future.

Dairy animals are also under investigation and it has been determined that these animals at temperatures below about 65° keep themselves warm by consuming additional food over and above the amount required at normal temperatures in their comfort range. This extra amount of food becomes enormous at low temperatures. Closed barns can keep the animals warm but are not a good answer because certain by-products of the emissions of the animals when added to the atmosphere have a detrimental effect on their health and efficiency. Some form of heating and ventilating is the obvious answer; again as in the case of hogs, the justification is economic. Poultry raisers can also economically justify air conditioning in many areas, especially during the chick stage, when the mortality rate is high if the environment temperatures stray only a few degrees from the comfort range.

Another important part of the study of growing plants has to do with the research on photosynthesis which has been a scientific mystery up to now. Photosynthesis is the method used by plants to absorb energy from the sun. Most people in the engineering industries realize that one of the most potent problems facing the world today has to do with our ever increasing usage of the limited fossil fuels available to us to produce the energy we require. As a matter of fact, we face the ultimate exhaustion of this source of energy and in the not too distant future. Utilization of the energy from the sun which reaches the earth in enormous quantities is an obvious answer to the problem and much research has been done to find ways and means of doing this. Plants, while not too efficient, by means of photosynthesis do absorb energy from the sun and lock it into the plant where the energy can be recovered by combustion or conversion to a useful chemical form of energy such as alcohol. These studies of plant growing can increase the efficiency of photosynthesis by determining proper growing locale, by proper specie breeding and by other factors.

The Heat Pump

The heat pump is a refrigeration device that is rapidly developing into an important factor in our industry. Though it is not new to us, some difficulties have been experienced in obtaining sources and sinks for the pumped heat, the development of these heat sources and sinks is just beginning and already some progress is indicated in the search. Heat pumps are usually regarded as air conditioning machines, but now a great potential is developing for the device in industry. As an air conditioner, success of the heat pump is assured because utilities supplying power must find winter load to balance out the cost of increased transmission facilities now demanded to supply the relatively short duration residential summer air conditioning. The year around heat pump is an ideal answer when proper sources and sinks are developed. Some of our research teams are uncovering several sources of the best and most economical of these heat sources and sinks which now appears to be the sun.

The use of the heat pump in process industries, requiring simultaneous heating and cooling, is on the increase and has great engineering possibilities, since the heat can be pumped from the cooling requirement into the heating requirement and thus eliminate the engineering sin of using dual fuels to produce the required conditions. Industries with smoke stacks and cooling towers side by side should be regarded as potential sinners against good practice in our fight to conserve our precious energy.

Refrigeration in Air Pollution Control

Another problem facing the air conditioning portion of our industry and one requiring early solution is air pollution control. Though our industry does not face the whole problem, it is up to us to provide air purification in our living spaces. The problem is in about the same stage of recognition as was water pollution at the turn of the century. All are familiar with what we have done about that problem. The relative importance of air cleaning is pointed up when we realize the tremendous effort and investment made to purify the half gallon or so of water we drink each day as compared to what is done to purify the approximately 200 cubic feet of air we take into our bodies in the same period of time.

It should be pointed out that a cubic foot of relatively clean air can contain over a million particles of pollutants. Many people have taken the attitude in the past that the Creator gave us the air to breathe and therefore it must be satisfactory. We now acknowledge the gift but realize that our civilization and nature combine to sully this atmosphere to a dangerous extent. It is a big problem requiring a big solution, which must be worked out by us.

A new development that seems to be in process and which is of great interest to all of us is electronic cooling as suggested by the Chairman of the Board of R.C.A. This idea is not so fantastic as it appears on the surface for, as a matter of fact, we can do it now in an experimental way. It will surely develop with time and research.

The Effect of Nuclear Energy

One can not help but wonder what the developing of nuclear energy will do to our industry and from the present view point it appears that the atom will increase the scope of our coverage. It appears that nuclear energy will ultimately reduce the cost of power, which will increase the use of machines of all types including refrigerators. Most remote areas not now served with power will be reached by utilities and become an increasing market for our equipment. At present it does not appear that small nuclear generators to operate machines direct appear feasible, but we can plan on increased power facilities.

Another type of development in the mechanical industries serving buildings has resulted from the tremendous increased cost of construction brought about by high labor, equipment and management costs. Now designers must not only consider costs of the systems themselves, but must also add to that cost the cost of the space occupied by the system and this also includes the rental value of the space. Consideration of this problem has resulted in the use of high velocity or conduit type air distribution systems where velocities of six thousand feet or more in ducts reduce sizes of air distribution systems as much as 80%

Another approach to this same problem has been an increased use of radiant panel cooling which will remove much of the heat in spaces with small water or fluid pipes and thus reduce the air system normally required by as much as 70%. Both of these methods have been proved in actual usage but more research and development is needed to perfect the applications. Other solutions will undoubtedly be found to assist in solving this problem.

In industry much development is being made in the usage and techniques of low temperature evaporation; low-low temperature research; and product and process cooling; much has been accomplished and the development will continue as new industry requirements come into the picture.

I have endeavored to point out some of the ever widening horizons in our industry, feeling somewhat inadequate as I did so but salving my conscience with the fact that I am no prophet.

As I close this prophetic discourse, it seems logical to point out two things in our industry that each of us can do to be better prepared to meet any expanding horizon we uncover in the future. We must support to the fullest our engineering education which includes our engineering schools and colleges, our industry wide educational programs, including our various society publications and meetings. We must also exert every effort to see to it that the right young people are properly oriented and educated into our industry. Each of us should be prepared and willing to advise them. Above all we must see to it that those young people with engineering minds become engineering graduates or technicians and further that our industry gets its share of these graduates, for today there are not enough to go around. Remember that to do this will require at least bait of a security and financial nature equal to that put out by our competitors in other industries for engineering services.

The second important thing we can do, as an industry and as individuals, is to wholeheartedly support research in any form, including industrial research. We should encourage our societies and associations to support research programs of their own and cooperate with others, for it is from research that most of our future progress will come.

Levien, Greenwald Co. To Be Formed in NYC

Levien, Greenwald & Co., New York Stock Exchange member firm, will be formed as of Aug. 1 with offices at 50 Broadway, New York City. Partners will be Seymour Levien, exchange member, Lester S. Greenwald, general partner, and Francis S. Levien, limited partner. Mr. Levien has been active as an individual floor broker. Mr. Greenwald is Manager of the arbitrage department of Dreyfus & Co.

Joins Jones Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William E. Schray is now with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

European Bankers Interested in Middle West

Kearney Wornall, Vice-President of City National Bank and Trust Company, Kansas City, Mo., back from a 10-week tour of Europe, says bankers there now know that the "Heart of America" region, with its rich resources and production, plays important role in U. S. economy. Sees disunity in Europe a handicap to region's progress.

According to the advice of Kearney Wornall, Vice-President of City National Bank & Trust Co., Kansas City, Mo., "No matter how large or small is the bank with which you are connected, have no hesitancy in making yourself known to the topmost officer in any European bank. You'll be well received and cordially treated. Especially if you are from the Middle West."

Kearney Wornall

Mr. Wornall should know, because he is just back from a 10-week tour of 11 countries in Europe, during which tour he called on 33 banks in 25 leading European cities. Within him were Mrs. Wornall and Mr. and Mrs. Frank A. Theis. Mr. Theis is President of Simonds-Shields-Theis Grain Company of Kansas City.

"European bankers are keenly interested in their cousin bankers from North America," Wornall said, "and now especially those in the Middle West. They welcome representatives not only of larger banks, but of the smaller banks as well. You'll find a real welcome, a keen interest and a knowledge of Mid-Western affairs. Even if you are from a bank of just a few million dollars deposits, you'll find the red carpet out for you in Europe.

"The reason for this is that European bankers have become aware that the United States is not just New York or the Atlantic seaboard. Now they know that our part of the country is the 'Heart of America' region, so rich in corn, hogs, oil, wheat, cattle and other natural resources, and also now a potent production center of durable goods."

Mr. Wornall went on to point out that the European banker today knows where Kansas City is and where other cities and towns in our territory are located. They're not just names on a map but part of a world with which he realizes he must do business in the future if he is to survive.

"The welcome to the American banker in Europe is greater than the welcome accorded the visiting European banker in the Mid-West," Wornall said. "Perhaps it is because they understand world conditions better and see a need of us greater than we see a need of them in the future of the world.

"European banker recognize a need for decentralization. They know they cannot any longer do business with New York City alone. They want direct connections with banks in the Middle West, too. That is why they are eager to see and talk to visiting American bankers, especially those from our part of the country.

"Oddly enough, we heard less war talk in Europe than we do in the United States. We did see and hear much of reconstruction. Rebuilding is, of course, tremendous."

Asked to sum up in a word his opinion of the 11 European countries he visited, Wornall said without hesitation: "Disunity."

"The many tongues and the 2,000 years of past strife have made a condition in Europe that is disheartening to a Middle Westerner used to seeing the advantages of a peaceful and cooperative effort. Europe is full of hatreds, suspicion and lack of trust, based on the history of the past. Certainly that must be remedied before there is a future for Europe and for the world.

"They have the tools to do the job, but the tools are double-edged. The airplane, for instance, brought them explosives and destruction—but it also brings them rapid communication and movement of people. And because these create contact, acquaintance, friendship and understanding, the airplane can be a machine for unity and good, instead of destruction and oblivion."

Mr. Wornall and his party made 2,600 miles of their European journey by motor car and flew from Amsterdam to Stockholm, Copenhagen, Paris, Madrid and London.

Slight Decline in Rate on Business Loans

Federal Reserve Bank of New York reveals average interest rate on short term loans to business in first half of June was 3.25%, down from 3.41% in March, and from 3.45% in June a year ago.

The average rate of interest charged on short-term loans to business concerns by large New York City banks was 3.25% during the first 15 days of June, according to the regular quarterly report just issued by the Federal Reserve Bank of New York. The June rate, down from an average of 3.41% reported for March, reflected the reduction on March 17 of the prime lending rate from 3¼% to 3%. It was also down from the average of 3.45% that prevailed in June a year ago.

Rates for large loans ($20,000 and over) decreased more than rates on smaller loans, and loan volume in June was below March levels. Short-term business borrowing was higher this June than a year ago, however.

The average rate of interest on term loans (those due in more than one year) was 3.54% during the first 15 days of June, compared with 3.53% last March and 3.47% in June, 1953. Both the number and aggregate dollar volume of term loans were smaller than in March when they were the largest ever reported.

The following tables summarize the results of the current survey of rates charged on commercial and industrial loans made by the main offices of 12 New York City banks and 15 of their larger branches during the first 15 days of June, and also give data for previous comparable periods.

DEMAND AND DUE IN ONE YEAR OR LESS

	First 15 Days of June, 1954	First 15 Days of March, 1954	First 15 Days of June, 1953
No. of loans placed	2,330	2,335	2,470
Amount loaned	$705,000,000	$815,000,000	$690,000,000
Average rate charged	3.25%	3.41%	3.45%

DUE IN MORE THAN A YEAR

	First 15 Days of June, 1954	First 15 Days of March, 1954	First 15 Days of June, 1953
No. of loans placed	310	320	295
Amount loaned	$190,000,000	$255,000,000	$170,000,000
Average rate charged	3.54%	3.54%	3.47%

Schroder Banks Celebrate 150 Yrs.

J. Henry Schroder and Company of London, represented in New York by the J. Henry Schroder Banking Corporation and Schroder Trust Company, celebrated the 150th anniversary of its foundation on July 16.

A member of the Schroder family has been head of the firm throughout the 150 years of its existence. Another name, that of Tiarks, is indelibly inscribed in the annals and three generations of Tiarks have served as partners.

It was in 1804 that the brothers, John Henry and John Frederick Schroder, established themselves in London as merchants in grain, coffee, tallow and other produce. They were sons of Christian Matthias Schroder, a citizen and for some time mayor of Hamburg. His offspring, following the good merchant adventurers' tradition, left their native city, some going east into Russia and others west to England, to seek or to enlarge their fortunes.

John Henry Schroder, the great grandfather of the present head of the firm, soon showed himself a capable and successful man of affairs. Even during the years of the Napoleonic blockade of England he was importing grain and tallow from the Baltic and sending back coffee, sugar and other produce through Hamburg into Central and Eastern Europe.

Gradually, the firm shifted the main emphasis of its activities from merchanting to merchant banking. It began to finance the movement of merchandise in many parts of the world, but from an early stage in its activities it developed special ties with Latin America. Sugar, nitrate, coffee, wheat, are some of the commodities which have moved in international commerce with the help of Schroder acceptance credits.

The spread of their interest throughout the world brought Schroders knowledge and appreciation of the needs of their clients for a long-term capital; and so from commercial banking there was a parallel movement into issuing business. The first Schroder issue, a railway loan to Cuba, was made in 1853. In 1870 Schroders issued the first Japanese loan in London. It financed the building of the first railway line in Japan. There followed a long list of European, South American and domestic issues.

In 1923 Schroders secured direct representation in the United States by establishing the J. Henry Schroder Banking Corporation in New York. Like the London firm it has been primarily concerned with commercial banking activities; but it has also been an issuing house. In 1929 the Schroder Trust Company was formed in order to give the Schroder organization in New York a complete range of banking and fiduciary services.

J. V. Ramo Opens

HOLLIS, N. Y.—James V. Ramo has opened offices at 198-12 109th Avenue to conduct a securities business.

R. P. Sheridan Opens

SYRACUSE, N. Y. — Robert P. Sheridan is engaging in a securities business from offices at 109 South Warren Street.

New Carr Partners

Vinton E. Jones

Peter S. Logan

Charles P. White

Vinton E. Jones, Peter S. Logan and Charles P. White, who have been admitted to partnership in Carr & Company, Penobscot Building, Detroit, Mich. along with Wade Sloane.

Railroad Securities

Illinois Central

Strength in the general bond market, and improvement in investment sentiment toward the better situated railroads, have been causing discussion in financial circles as to the possibility of some railroads attempting refunding operations. Two such proposals are now definitely on the fire—Louisville & Nashville and Illinois Central. That of Louisville & Nashville will be to take care of a 1955 maturity and to provide some cash for use in the comprehensive yard modernization program. That of Illinois Central, which is scheduled for next week, will be done to affect an interest saving on $25 million of Consolidated Mortgage 4¼s now outstanding—other series of this mortgage, all selling at sizeable premiums, now carry interest rates of 3¾% and 3⅞%.

Except for those roads that went through judicial reorganization it is doubtful if any road in the country has done such a thorough job on debt reduction and maturity rearrangement as has Illinois Central in the past 10 to 15 years. Aside from serial equipment trust obligations, Illinois Central's funded debt is now confined to one mortgage, outstanding in six series in the amount of less than $130 million. This represents a reduction of some $202 million since the beginning of 1941, equivalent to approximately $75 a share of common stock outstanding. Moreover, further gradual paring of this modest debt is provided for in sinking funds.

In the process of debt retirement and refunding, the road has reduced its fixed charges down to an indicated level of around $7.7 million annually compared with more than $16 million a year at the outset of the program. These charges will also be tending downward. The saving in charges already realized is equivalent to $3.13 a share on the common stock, before Federal income taxes, and present charges absorb only about 2.5% of gross revenues. Such charges would have been well covered in every year of the depression decade except for 1935 when large extraordinary bookkeeping charges were made to maintenance. Even in that year reported earnings would have been only nominally less than present charges.

Illinois Central has traditionally been an efficient railroad operation and over a long period of years the management has been notably successful in controlling expenses in periods of declining traffic. Because of the lack of heavy grades, possession of a large amount of new and efficient steam power, and faith in the development of the coal-fired gas turbine, the road has been quite slow in adopting diesel power for road freight purposes. In the past few years, however, a program of gradual dieselization of freight operations has been adopted and it it expected that this will continue at a steady pace. Thus, while the road may not get as spectacular results from this new power as have some other roads with different operating problems, some further improvement in operating efficiency appears certain to result.

Trafficwise the company is quite favorably situated. It has benefited substantially from industrial growth in the south and has also been highly successful in building up its coal business during the past 10 or 12 years. Further expansion along these lines appears to be in prospect. Reflecting the favorable territorial conditions, traffic and revenues so far in 1954 have held up considerably better than have those of the industry as a whole—for the five months through May gross was off 9.2%. Considering that train service was not cutback in any spectacular fashion, because of management faith in the future, expenses were well controlled. Share earnings, nevertheless, dipped to $2.16 compared with $3.44 (adjusted for the two-for-one split) a year earlier. Full year earnings are estimated at no lower than $7.50 a share against $9.30 in 1953. Considering the road's adequate finances and the particularly strong debt status, many analysts feel that such earnings would justify liberalization of the present $2.50 annual dividend rate in the relatively near future.

Coyle to Be Partner In Hayden, Stone Co.

Alfred J. Coyle, member of the New York Stock Exchange, on Aug. 1 will become a partner in Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Mr. Coyle has recently been active as an individual floor broker. Prior thereto he was with Hemphill, Noyes & Co.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Francis A. Kenney has become affiliated with Reynolds & Co., 39 South La Salle Street. Mr. Kenney was formerly with the trading department of Dempsey-Tegeler & Co.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Melvin H. Andelt, Charles J. Burmeister, Vincent T. Goeres, Richard A. Westcott and John E. Wilson are with The First Trust Co. of Lincoln.

Mutual Funds

By ROBERT R. RICH

Trek to Canada Is Revived

The pronounced success with which Scudder Fund of Canada was underwritten a short time ago seems to have sparked the Great Second Trek to Canada by investment companies.

Paine, Webber Jackson & Curtis, in a joint underwriting, is expected to offer the middle of August 2½ to 3 million shares—at $10 a share less a maximum of 7½%—of "Canada General Fund (1954) Limited," it is reliably heard on the 'Street from practically every source.

This fund, which will utilize the efficient management of Canada General Fund, will be of the closed-end type, domiciled in Canada to take advantage of the tax situation. In this sense, it will conform in every respect to the structure of Scudder Fund of Canada, previously discussed in these columns. The new fund will also have the redemption at net asset value feature—attractive to investors because they need not fear being locked into their holdings by a market price at a discount from net asset value.

Another fund, organized along much the same lines—United Funds Canada, Ltd.—had a registration statement filed with the SEC covering a proposed offering of 1½ million shares at $12.50 a share. The stock will be offered through a Glore, Forgan & Co.-Francis I. duPont & Co. syndicate.

This fund was organized in Toronto by Continental Research Corp., the investment adviser to United Funds.

Here, again, all net income from the fund's underlying securities will be reinvested. No income will be paid out to shareholders, and consequently the only tax to which they will be liable will be a capital gains tax on profits realized from the sale of their fund's shares. This fund expects to open-end in 1955.

In the meantime, White, Weld & Company reports it has already sold 60% of the 100,000 shares—at $25.00—of Inter-Canadian Corporation, an American closed-end investment company which will invest its assets primarily in Canadian securities. It was necessary that this 60% be sold in order for White, Weld to have a deal at all.

THE GROWING importance of South Africa as a major source of uranium for the Free World has been highlighted by the Atomic Development Mutual Fund's purchase of shares in five companies which are both mining and refining uranium in that area.

Although the Belgian Congo in Central Africa has always been the principal source of uranium for the United States, interest in South Africa began only a few years ago when the tailings of gold mines there were found to contain valuable amounts of uranium oxide.

Several Atomic Energy Commission officials visited the area to evaluate the source and to assist in the development. A group from the Joint Congressional Committee on Atomic Energy also surveyed the mining region last summer.

Recently the Export-Import Bank granted loans of $92 million to 17 different gold mining companies to finance construction of uranium processing plants. AEC officials have predicted that uranium mining and milling operations may soon surpass the gold mining industry there in size.

The five South African gold mining companies in which the Atomic Development Mutual Fund has purchased stock are: Luipaards Vlei (3,200 shares), Randfontein Estates (1,300 shares), West Rand Consolidated (1,300 shares), Western Reefs (1,400 shares) and Rand Mines, Ltd. (700 shares).

In addition, the Fund has purchased shares in Union Miniere du Haut-Katanga (Katanga Copper Company) which is mining and processing uranium in the Belgian Congo.

EATON & HOWARD Mutual Funds' combined assets totalled $147,291,427 as of June 30, 1954, an increase of $24,467,301 or 20% since Jan. 1, 1954.

Eaton & Howard Balanced Fund assets as of June 30, 1954, totalled $119,936,648 as compared with $101,963,256 on Jan. 1, 1954; Eaton & Howard Stock Fund totalled $27,354,779 on June 30, 1954, as compared with $20,860,870 as of Jan. 1, 1954.

Combined sales to investors during the six-month period amounted to $12,578,416, the highest for any six-month period in the Funds' history.

PORTFOLIO changes of Group Securities' Common Stock Fund between Nov. 30, 1953 and May 31, 1954, the end of the fund's fiscal half year, included chiefly purchases of shares in strongly entrenched companies in such price-depressed and cyclical industries as steel, machinery, metals and mining. Purchases also included selected issues in such dynamic growth industries as drugs and electronics.

Purchases included 1,000 shares of Armco Steel, 1,000 Bethlehem, 1,000 Inland Steel, 1,200 National Steel, 1,000 Republic Steel, 1,000 U. S. Steel, 3,000 Blaw-Knox, 2,000 Bucyrus-Erie, 2,500 Deere, 1,000 Electric Auto-Lite, 2,000 Fairbanks, Morse, 2,000 International Harvester, 2,000 New York Air Brake, 1,000 Pullman, 1,500 Worthington, 1,000 Yale & Towne, 2,500 American Smelting, 3,000 Anaconda, 2,000 Phelps Dodge, 1,900 St. Joseph Lead, 2,000 Abbott Laboratories, 3,000 Mathieson Chemical, 500 Parke Davis, 1,000 Allis-Chalmers, 1,000 Square D, and 500 Sperry Corporation.

Eliminated were American Steel Foundries, Briggs Mfg., International Nickel and United Aircraft.

Chemical Fund Reports

An average increase of 1% in sales and of 10% in net earnings of portfolio companies of Chemical Fund, Inc. for the first quarter of 1954, as compared with the corresponding quarter of 1953 is reported by F. Eberstadt, President of the fund in the 64th quarterly report to stockholders.

Mr. Eberstadt noted that at June 30, 1954, aggregate net assets of the fund amounting to $65.398,969, equal to $23.15 per share, were higher than at the end of any previous quarter. This compares with aggregate net assets of $50,964.467 or $18.57 per share at June 30, 1953. The fund had 2,823,803 shares of capital stock outstanding on June 30, 1954, against 2,744,074 shares on June 30, 1953.

Pries Into Puzzling Popularity Of Wall Street's Wallflower Rails

By CARTER G. BURKE

Calvin Bullock's curiosity-minded investment management department, prying into the puzzling popularity of the once-neglected rails, finds that the higher-priced industrial and utility stocks may be shooing investors over to the once-wallflowered choo-choos, even though the latter suffered in the first four months of this year from the halitosis of a 13% decline in gross revenues and a 41% drop in net railway operating income.

Noting that the current—or recent—decline in business activity offers the first real opportunity to study rail operations and net results under less than the best conditions, Bullock's special study has reached the "tongue-in-cheek" conclusion that net income for Class I roads this year might show a decline of 30-35% below the 1953 level of $871 million, an expected improvement over the decline to date of roughly 50%.

Despite this reason for running away from rails, Bullock comments, "that this country's railroads have once again discovered how to win investors and influence speculators is clearly demonstrated by the trend of market prices in recent years."

"From a low of 41.03 established in 1949, the Dow-Jones index of railroad common stock prices soared to 112.53 in December 1952, the highest level attained in 22 years, a gain of 175%. From the close of 1939, the increase was 250%.

"In comparison, the Dow-Jones index of industrial common stock prices rose by 81% over the shorter of the two periods and 95% over the longer one."

Looking for the answer, Bullock points out that with the exception of earlier years, general rail prices have tended to follow the course of dividend payments rather than the level of earnings. "This factor together with the increased confidence in the stability of dividends could well account for the recent new highs for railroad common stocks."

So far as yields are concerned, Bullock notes that, "between 1935 and 1942 the utility stock average provided a yield substantially more than the railroad stock average. Since that time, however, the situation has been reversed with the rails providing the highest yield of the three Dow groups. Moreover, these high yields have been accompanied by a lower percentage of pay-out of earnings.

"To return to the present price advance," Bullock continues, "it must be recognized that perhaps never before has the market exhibited such selectivity as to quality. Since the September 1935 lows the better grade railroad common stocks have registered gains up to 40% and more. In contrast the usually volatile speculative issues which produce the 'fireworks' in rising markets have been notably laggard. Here again is evidence that railroad stocks are being bought for the yield at least in part.

"Under present conditions," the study concludes, "when returns on good grade industrial and utility stocks are becoming increasingly smaller it is natural for investors to turn to the railroad section of the market.

"And, certainly there appears to be every reason at the present time to expect dividends generally to be maintained and in some instances increased.

"So far as earnings are concerned they will be lower this year than in 1953, but making due allowance for maintenance policies, in the early months particularly, many of the better grade railroads will be able to limit their declines to substantially less than the 30-35% drop suggested for all Class I rails and in several cases there will be little or no decrease."

MICA Expands a Michigan Operation

The Mutual Investment Company of America has just placed on the market a new offering of 100,000 shares of its capital stock. Distribution will be made through the MICA Fund Distributors, Inc., of 32 Broadway, New York City, which was recently formed to act as the distributing agent.

The Mutual Investment Company of America is a diversified open-end management type of investment company. Formed in 1938, the company operated, prior to this year, mainly in the State of Michigan. At the end of 1953, new management entered the picture with the idea of expanding the company's activities in other areas.

Both the investment company and the distributing organization are headed by John G. Haslam, President of Haslam Associates, Inc., a financial and business consulting firm, also at 32 Broadway, New York City. Mr. Haslam specializes in the valuation of closely-held companies for estate and gift tax purposes.

In 1947, when Mr. Haslam was Vice-President of Standard Research Consultants, Inc., a subsidiary of Standard & Poor's Corporation, he appraised the stock of the Ford Motor Company in connection with the appraisal of the Estate of Edsel Ford.

Mr. Haslam intends to devote a considerable part of his time to the development of the Mutual Investment Company of America.

Total net assets on March 31, 1954 were $66,906, and offering price per share was $7.31. Sales charge is 7%, with a dealer discount of 6%.

NAIC Reports On Net Assets

Total net assets of all 142 industry members of the National Association of Investment Companies rose to $5,991,600,000 as of June 30, 1954, compared with $5,074,519,000 at the end of 1953, the Association announced Friday.

According to Association statistics, total net assets of the 111 open-end companies rose to an all-time high of $4,951,900,000 on June 30, 1954, an increase of $805,000,000 over Dec. 31, 1953 and $1,090,000,000 since June 30, 1953.

For the 31 closed-end investment companies, total net assets at the end of the first half aggregated $1,039,700,000 as against $928,458,000 at the end of 1953 and $900,358,000 a year ago.

Sales of new shares by mutual funds for the second quarter of 1954 amounted to $184,500,000, compared with $159,600,000 for the like quarter of 1953.

For the first six months of 1954 total sales were $375,123,000, a gain of $15,558,000 over the first half of 1953.

There was also an increase in share redemptions, the Association reported.

For the six months ended June 30, a period of generally rising markets, redemptions amounted to $193,693,000, compared with $131,403,000 for the corresponding period of 1953.

Purchases of securities by the open-end companies for investment portfolios substantially exceeded sales for the first half of 1954, the Association revealed.

Securities bought (excluding U. S. Government securities) totalled $641,932,000, whereas total sales were $479,555,000.

This compares with purchases of $533,000,000 and sales of $367,200,000 for the last half of 1953.

Data for the first half of 1953 is not available. Portfolio purchases for the second quarter were $327,193,000 and sales $253,185,000, compared with $314,739,000 and $226,370,000, respectively, for the first three months of 1954.

Open-end companies' holdings of cash, U. S. Governments and short-term bonds on June 30, 1954 were $274,368,000. This compares with $295,975,000 on March 31, 1954 and the 1953 year-end cash position of $263,647,000.

OPEN-END COMPANY STATISTICS—JUNE 30, 1954
111 OPEN-END FUNDS*
(In 000's of $)

Source: National Association of Investment Companies

	6/30/54	3/31/54	12/31/53	6/30/53
Total Net Assets	$4,951,900	$4,582,433	$4,146,061	$3,861,924

	2nd Quarter 1954	1st Quarter 1954	1st 6 Months 1954	1st 6 Months 1953
Sales of Shares	$184,500	$190,623	$375,123	$359,565
Redemptions	107,000	86,693	193,693	131,403

PURCHASES AND SALES OF PORTFOLIO SECURITIES
(Excluding U. S. Government Securities)

	2nd Quarter 1954	1st Quarter 1954	2nd Quarter 1953
Purchases	$327,193	$314,739	$246,514
Sales	253,185	226,370	130,593

HOLDINGS OF CASH, U. S. GOVERNMENTS AND SHORT-TERM BONDS

December 31, 1953	$263,647
March 31, 1954	295,975
June 30, 1954	274,368

*The precise number of funds may vary slightly from quarter to quarter due to mergers, liquidations, new members, etc. Except to a minor degree, however, the figures for different dates are comparable.

United Funds

Sales of the four United Funds for the first six months of 1954 totaled $15½ million, compared with $12¾ million a year earlier. Total net asset value of the group was $148 million on June 30, and in mid-July was above $151 million.

Sales of United Income Fund shares still were the largest of the four funds, but United Accumulative Fund showed the largest comparative gain over last year.

United Income Fund sales of $6,567,175 were up $451,704; United Accumulative Fund sales of $5,362,304 rose $1,495,240. United Science Fund sales of $1,641,306 were up $360,235, and United Continental Fund sales of $1,929,220 were up $647,748.

United Income Fund's net assets June 30 were $91,741,428, compared with $65,211,377 in the 1953 period.

United Accumulative Fund's assets were $31,765,403, compared with $16,649,118.

United Science Fund's assets were $18,576,447, against $14,129,258 in the 1953 period.

Net asset value of United Continental Fund June 30 was $5,973,315, compared with $3,032,402.

IDS Income at Peak

Net income of Investors Diversified Services, Inc., and undistributed earnings of its wholly-owned subsidiaries, climbed in 1953 to $7,908,055, an increase of $2,608,294 over the 1952 net income of $5,299,761. The net income of I.D.S. alone was $5,898,066, an increase of $2,065,036 over the 1952 income of $3,833,030.

The company's share of the 1953 undistributed earnings of its subsidiaries was $2,009,989, an increase of $543,258 over the previous year's figure of $1,466,731. All earnings were retained in the business.

Sales of face amount investment certificates and mutual fund shares, sponsored and distributed by I.D.S. through a sales force which currently number more than 2,330 licened representatives, reached a new high last year.

Total 1953 sales volume of face amount certificates issued by Investors Syndicate of America, Inc., was $266,078,094, as compared with 1952 certificate sales volume of $241,445,710.

Total 1953 sales volume of shares in Investors Mutual, Inc., Investors Stock Fund, Inc., and Investors Selective Fund, Inc., amounted to $118,087,581, as compared with 1952 fund sales of $117,405,561, the report disclosed. The three mutual funds are affiliates for which I.D.S. acts, by contract, as investment manager and distributor.

Sixty-five per cent of the total 1953 dividends paid by the funds was reinvested by their shareholders to purchase additional shares.

At the year-end, total assets under management of the Investors Diversified Services group amounted to $1,252,763,000. This total included securities investments of $621,955,482 managed by I.D.S. in behalf of its subsidiary, Investors Syndicate of America, Inc., and the three affiliated mutual funds.

Total funds appropriated by I.D.S. for certificate reserves and contingencies are amply in excess of the minimum reserves required under the Investment Company Act of 1940.

With a substantial portion of its assets and those of Investors Syndicate of America, Inc., employed in the real estate mortgage field, Investors Diversified Services, Inc., at the year-end was servicing 78,628 mortgages with a total value of $609,462,213. In 1953, I.D.S. made new mortgage loans totaling about $92,000,000, an amount approximating the 1952 level.

Closed-End News

Lehman Corp.

The Lehman Corporation at the end of its 25th fiscal year reported the net asset value was $158,409,024.

Established in 1929 with original paid in capital of $100,000,000 it has distributed to stockholders in uninterrupted quarterly dividends $57,552,323 from net ordinary income and $61,010 663 from profit on investments. In addition, since its establishment, the corporation's expenditures in repurchasing its own stock exceeds the amount received by it from the issuance of additional shares by the net amount of $9,272,987.

An investor who paid $104 for one share of capital stock of The Lehman Corporation when it was originally issued on Sept. 24, 1929 and retained his investment continuously since then, held on June 30, 1954 six shares of capital stock with a total net asset value of $228.84. During this period he received a total of $99.25 in dividends from net ordinary income and $91.87 from profit on investments, the report states.

Tri-Continental

Tri-Continental Corporation reported that net investment assets were $204,891,000 on June 30, the largest reported in the company's 25 years of operations, and a gain of $28,558,000 in the market value of net investment assets in the past six months.

Net asset value for the common stock amounted to $30.47 per share, after providing for possible Federal income tax on net unrealized appreciation of investments, a rise of more than 21% from the $25.21 reported at the start of the year and 30% from the $23.52 reported on June 30, 1953.

At the end of the quarter the company had assets of $10,289 for each $1,000 of debentures outstanding and $413 for each share of preferred stock.

Common stocks were approximately 82% of net investment assets at the end of June as compared with 80% at the beginning of the year.

During recent months Tri-Continental has favored in its portfolio changes the common stocks of companies whose business should be responsive to stabilization or improvement in general business activity.

During the second quarter Tri-Continental doubled its holding of common stock in the steel industry.

Holdings of rails, paper and the tire and rubber industry were also increased.

Investments in public utilities and the food and beverage industry were reduced.

National Shares

National Shares Corporation, a closed-end investment company managed by Dominick & Dominick, reported net asset value at June 30, 1954 of $39.60 per share on 360,000 shares outstanding.

This compares with net asset value of $37.54 on March 31, 1954, on a like number of shares, and $33.65 at the end of 1953.

Major categories of common stock holdings included: oil and gas stocks, for 23.6%; public utilities 9.9%; building 9.7%; and electrical products 7.1%.

U. S. & Foreign

Reporting for the half year ended June 30, 1954, United States & Foreign Securities Corporation and its affiliate United States & International Securities Corporation show a combined net asset value of $125,725,441 after a deduction of $42,387,950 representing indicated value of U. S. & Foreign's investment in the affiliate. This compares with a combined net asset value on June 30, 1953 of $114,807,747 after a similar deduction of $34,399,675.

Net assets of U. S. & Foreign alone on June 30, 1954 were $99,132,202 and were equivalent to $1,982.64 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $10,000,000, to $90.49 per share of common stock outstanding.

This compares with net asset value on June 30, 1953 of $90,107,918, equivalent to $901.08 per share of first preferred stock and $76.25 per share of common stock.

On April 8, 1954 the directors authorized the call for redemption on June 30, 1954 of 48,800 shares of the first preferred stock outstanding at $105 per share.

Net assets of U. S. & International at June 30, 1954 were reported at $68,981,189, equal to $349.63 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stock in the total amount of $34,995,000, to $13.67 per share of common stock outstanding.

On June 30, 1953 U. S. & I. had net assets of $59,099,504, equal to $295.50 per share of first preferred stock and $9.31 per share of common.

Public Utility Securities

By OWEN ELY

Are Utility "Growth" Stocks Getting Too High?

Utility stocks have been giving an excellent account of themselves during the past year, following the decline of early 1953 which was attributed principally to rising money rates and resulting "competition" from bonds and preferred stocks. Following are comparisons with a year ago, for the Moody utility averages:

	July 16	Year Ago	Percent Increase
24 Electric Power common stocks	45.28	36.62	24%
10 Gas Transmission common stocks	37.21	31.80	17
10 Gas Distribution common stocks	23.97	19.88	21
*30 Natural Gas common stocks	31.47	26.69	18

*Includes 20 gas stocks used in the above groups, plus stocks of 10 integrated gas companies.

The Dow Jones utility average is a mixed group since it includes 11 electric utility and four gas utility stocks. The Dow Averages compare with a year ago, as follows:

	July 16	Year Ago	Percent Increase
Utilities	59.57	49.08	21%
Industrials	339.96	270.96	25
Rails	117.16	106.03	10

The utility average has almost kept pace with the industrial. It is interesting to note that the recent average yield on the 15 utilities in the Dow average was only 4.39%, compared with 4.84% on the 30 industrials and 6.10% for the 20 rails. A year ago at this time there was a spread of 1.90% between the yield on utility stocks and the average yield on 40 bonds; now this difference has narrowed to 1.16%.

But the Moody and Dow Averages reflect mainly the "old-line" utility blue chips—not the new and popular "growth" stocks—though Houston Lighting is included in the Dow Average. Yields on some growth utility stocks are now getting fairly close to the average bond yield as is indicated in the following:

	Recent Yield	PE Ratio	Dividend Payout
Arizona Public Service	4.5%	14.5	65%
Atlantic City Electric	4.4	17.8	79
Central & South West	4.3	15.5	67
Florida Power Corp.	4.2	17.8	74
Florida Power & Light	3.8	14.4	54
Gulf States Utilities	4.4	16.7	73
Houston Light & Power	3.3	17.9	60
Idaho Power	4.4	14.9	65
Long Island Lighting	4.8	17.1	81
Middle South Utilities	4.4	16.1	71
Public Service of Colorado	4.1	16.7	69
Rockland Light & Power	3.5	25.0	88
Southern Company	4.5	14.7	66
Southwestern P. S.	4.9	16.2	79
Tampa Electric	4.6	16.5	76
Texas Utilities	3.7	16.9	62
Averages	4.2%	16.8	71%

The average yield of 4.2% compares with an average of 5.1% for 135 electric utility stocks. The price-earnings ratios of 16-18% are reminiscent of the high ratios in 1946 (which were based on expectations of higher earnings due to the ending of EPT) and compare with an average for all electric utilities of 14.9. The average payout (71%) is lower than the 75% for all utilities.

Anticipated gains in share earnings may prove disappointing in some cases. Some of the so-called growth stocks are earning about the same now as they did three or four years ago, and these earnings are bolstered by substantial bookkeeping credits for interest on construction. Others, like Florida Power & Light, have shown regular gains.

Nobody questions the long-term growth potential of the industry, but it takes a very sharp pencil to figure just which utilities can convert gains in gross revenues into increased share earnings. To a large extent, substantial gains usually result from rate increases. Some of the so-called "growth" has perhaps resulted from regular dividend increases in recent years, reflecting increasing percentage payouts. But recently the flow of dividend increases seems to have slowed down. On the other hand, the amount of new stock offerings has diminished somewhat, placing less of a burden on the market.

Possibly it is time to stop concentrating exclusively on the "blue chips" and take a real look at the secondary issues. There are still plenty of utilities yielding 5½-6½% and some of them may be worthy of greater attention.

E. E. Smith Co. Offers Harley Patents Stock

E. E. Smith Co., New York, is offering "as as peculation" an issue of 25,000 shares of capital stock (par 10 cents) of Harley Patents, Inc., at $1.25 per share.

The net proceeds from this sale are to be used to pay for the development and sale of the company's products and for general corporate purposes.

Harley Patents, Inc., was organized in New York on May 7, 1954 to acquire all of the assets of the Harley Buckle Division of Sembodja Corp. of New York, which was engaged in developing the market in the United States and Canada for the items invented by Frank B. Harley of Camberley, Surrey, England.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Edward C. Maher and John A. Waage as Vice-Presidents in the Foreign Department of **Manufacturers Trust Company, New York**, was announced on July 15 by Horace C. Flanigan, President.

Mr. Maher supervises the foreign exchange operations of the bank and in recent years has been liaison officer for the bank's business with Canada, Australia, South Africa and New Zealand. He came to Manufacturers Trust in July, 1936, and was appointed an Assistant Vice-President in 1946.

Mr. Waage is Territorial Supervisor in the European division and is engaged in the bank's operations in connection with international financing programs of various government agencies. He joined the Trust Company in April, 1936, and was appointed an Assistant Vice-President in July, 1952.

Appointment of Harold P. Donohue as an Assistant Secretary of Manufacturers Trust Company was also announced July 19.

Mr. Donohue, came to Manufacturers Trust in February, 1947. In March, 1953, he was advanced to Assistant Manager of the bank's Fourth Avenue Office. He is at present assigned to the 513 Fifth Avenue Office.

* * *

Stanley L. Miller has been appointed an Assistant Vice-President of the **Empire Trust Company, New York.** Mr. Miller is in charge of the bank's investment portfolio.

* * *

Harvey H. Dwight, has been elected to the Board of Directors of the **Federation Bank and Trust Company, New York**, it was announced on July 15, by Thomas J. Shanahan, President.

* * *

George W. Morgan, has been named to the Board of Directors of **Colonial Trust Company, New York**, according to Arthur S. Kleeman, President of the banking house.

* * *

Announcement was made on July 16, by Robert A. Barnet and Henry R. Sutphen, Jr., Presidents respectively of the **Irving Savings Bank, New York** and **The American Savings Bank, New York**—of the merger of the two banks into a single institution to be known as the **American Irving Savings Bank, New York.** The effective date of the merger will be Aug. 2, 1954.

Mr. Barnet will become chairman of the board and chief executive officer of the new bank and Mr. Sutphen will serve as President. John H. Hammett, Executive Vice-President of the Irving Savings Bank, will continue in that capacity after the merger. The Board of Trustees of the new bank will be composed of the present boards of the merging banks.

Combined assets of the two savings banks exceed $147,000,000 of which $132,000,000 represents the savings of 82,600 depositors.

* * *

The Dime Savings Bank of Brooklyn, New York, on July 19, announced that eight officers have been advanced and two department heads have been made officers.

Gerald J. Peffert, Comptroller for two years has been named Vice-President and Comptroller. Clinton L. Miller, Assistant Vice-President since 1946, has been made a Vice-President. New Assistant Vice-Presidents are: Robert W. P. Morse, Thomas Blake Jr., Andrew D. Wilson, and Arthur J. Johnson. Alfred J. Tria has been named an Assistant Secretary.

Charles E. Miller and Karl A. Stad now are Deputy Comptrollers and Ralph E. Erb has been made Assistant Comptroller.

* * *

Mr. Edward A. Nash, President, stated that the Board of Directors of the **Long Island Trust Company, Garden City, N. Y.**, have called a special meeting of the stockholders for July 27, 1954, to consider and act upon a proposal to increase the capital by the issuance of 11,500 additional shares of stock.

Subject to the approval of the stockholders, it is planned to offer the new shares to stockholders at $25 per share on a pro-rata basis and, in addition, the stockholders will have the privilege of subscribing to additional shares.

At the present time there are 88,500 shares outstanding and if the proposal is approved by the stockholders, the new issue will increase the shares outstanding to 100,000.

The total capital funds of the bank as of June 30, 1954 amounted to $2,073,251.42, which compares with $1,970,334.95 a year earlier.

* * *

At a meeting on July 14, the Board of Directors of **The County Trust Company, White Plains, New York**, voted a recommendation to stockholders that the bank's capital stock be split four shares for one currently held, Joseph E. Hughes, President, announced.

Stockholders will vote on the proposal Sept. 8, 1954, and if their approval and that of New York State banking authorities is granted the stock division will take place immediately thereafter.

Dr. Hughes said that under the recommendation approved by the board par value of County Trust stock will be $5 per share rather that its current $16 par value and it is expected that the annual cash dividend will amount to 50 cents per share equalling the current cash dividend rate of $2.

It is also the intention of the board to continue the payment of annual stock dividends which have amounted to 5% in each of the past two years, Dr. Hughes said.

* * *

Announcement was made on July 20, of a plan whereby the **First Bank & Trust Company of Utica, New York**, which was established in 1812, will join the Marine Midland group of banks. Officials of the bank and of the **Marine Midland Corporation, Buffalo, N. Y.**, disclosed that First Bank's common stock would be increased, and the proceeds, with other funds, used to retire its preferred stock which has been owned by the Reconstruction Finance Corporation since 1940.

The plan, which is subject to the approval of the stockholders of First Bank and the banking supervisory authorities, contemplates that First Bank will sell 1,935 000 shares of its common stock (par value $1 per share) to Marine Midland Corporation for $5,500,000 and will retire its preferred stock by payment of $6,000,000 to the Reconstruction Finance Corporation. The bank has also agreed to pay the Reconstruction Finance Corporation whatever amount it may recover on a pending tax refund claim.

The present common stockholders of the First Bank & Trust Company of Utica will continue with their present holdings.

It is expected that management of the bank will continue in the hands of the present directors and officers. The plan will be submitted to stockholders of the bank at a meeting next month.

Presently there are nine Marine Midland Banks, all in New York State. These banks serve 61 communities through 127 banking offices.

Total resources of the First Bank & Trust Company of Utica, New York as of June 30, 1954, were $70,498,484.97 with deposits reported as $65,307,844.28.

* * *

The Banking Department of the State of New York gave approval on July 9, to the **Security Trust Company of Rochester, N. Y.**, to increase its capital stock from $3,003,000 consisting of 120,120 shares of the par value of $25 per share to $3,203,200 consisting of 128,128 shares of the same par value.

* * *

John W. Clegg Jr., Assistant Vice-President of the **Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.**, died on July 19. He was 44 years old.

* * *

Details of the plan to merge **The Colonial Trust Company, Pittsburgh, Pa.**, and the **Fidelity Trust Company, Pittsburgh, Pa.**, were revealed on July 16, in letters to the shareholders of each organization by John A. Byerly, President of Fidelity, and C. A. McClintock, President of Colonial. The shareholders' meetings have been called for July 29 to consider and vote upon the ratification of the joint plan of merger which was approved by the boards of both banks July 13.

The merged institution will be known as Fidelity Trust Company.

It is contemplated that Mr. Byerly, President of Fidelity since October, 1953, will be the new President and Mr. McClintock will be Chairman of the Board. Alexander P. Reed, present Chairman of the Board of Fidelity, will become Chairman of the trust advisory committee.

The merger will place the new institution second in total trust funds and third in deposits of all banks in Western Pennsylvania.

The new bank will continue business in all the present locations. Fidelity Trust Company, at 343 Fourth Ave. near Smithfield, will be the main office, and the present Colonial quarters on Fourth Ave., Wood St. and Diamond, will be known as the Colonial Office of the Fidelity Trust Company. No changes in personnel of any of the ten branches are contemplated.

The new bank will have total capital, surplus and undivided profits of approximately $27,000,000. It will have total resources of some $232,000,000 and deposits of approximately $200,000,000.

The combined trust funds of Colonial and Fidelity will bring the new total to $385,900,000.

Under the joint plan of merger, Fidelity Trust Company will have an authorized capital of $4,187,500 consisting of 418,750 shares of par value $10 each.

Currently outstanding stock and the exchange of its was outlined as follows:

The present Fidelity has an authorized capital of $2,500,000 consisting of 100,000 shares of par value $25 each. Colonial has an authorized capital of $3,000,000 consisting of 30,000 shares of par value of $100 each.

Fidelity shareholders will receive 250,000 shares, or 2½ shares of the new $10 par value stock for each share of $25 par value Fidelity stock presently held. Colonial shareholders will receive 168,750 shares, or 5⅝ shares of such stock for each share of Colonial stock presently held.

Cumberland County National Bank and Trust Company, New Cumberland, Pa., with common stock of $200,000; **The Camp Hill National Bank, Camp Hill, Pa.**, with common stock of $150,000, and **West Shore National Bank of Lemoyne, Lemoyne, Pa.**, with common stock of $100,000 consolidated as of the close of business July 2. The consolidated was effected under the charter and title of **"Cumberland County National Bank and Trust Company."**

At the effective date of consolidation the consolidated bank will have capital stock of $500,000, divided into 50,000 shares of common stock of the par value of $10 each; surplus of $500,000; and undivided profits of not less than $139,000.

* * *

Frank White, Chairman of the Board of the **National Bank of Washington, D. C.**, died on July 18. He was 87 years old.

Mr. White, a native of Washington, had been in the banking business for 69 years. He joined the old **Bank of Washington** as a clerk when he was 19 year of age.

He worked his way through banking ranks, becoming in turn a paying teller, receiving teller and a note teller. He was elected as Assistant Cashier in 1920. Three years later, he became Cashier and, in 1933, was elected a Vice-President of the Bank.

In 1936, he was elected President, and served in that post until 1950, when he became Chairman of the Bank's board of directors.

* * *

The Canton National Bank of Canton, Ohio, observed its 100th birthday July 19, having continued in direct succession since the founding by Isaac Harter as **Harter, Trump, Wikidal and Company**, July 19, 1854.

In 1867 it became **Isaac Harter & Sons, Proprietors, Savings Deposit Bank.** In 1901 the title changed to **Isaac Harter & Sons, Bankers.** In 1918 the bank was merged with the **First Trust & Savings Bank**, incorporated under a State Charter, and in 1936 **The Central Savings Bank & Trust Company** was merged with the First Trust. On Feb. 1, 1945, it became the Canton National Bank.

A branch office at Mahoning Road and Belden Avenue N. E., was opend Dec. 3, 1951, followed by another Jan. 16, 1952 on West Tuscarwas at Wertz Ave., where Canton's first auto-teller window was installed.

Harley J. Fast is President and a director of Canton National Bank, James L. Amerman, Chairman of the Board—consisting of the following directors: Joseph M. Blake, Bert E. Froehde, Edgar W. Jones, Charles W. Keplinger, John C. Keplinger, Edward A. Mahoney, and Merlin R. Schneider.

* * *

John B. Strawn has been appointed an Assistant Cashier of the **Harris Trust and Savings Bank, Chicago, Ill.**, in the bank's securities accounting department. Mr. Strawn has been succeeded as Assistant Manager of the savings department by Harold F. Trieschmann, Assistant Cashier.

* * *

Robert H. Costello, manager of the Personal Credit Department, has been elected Assistant Vice-President it was announced by Bartholomew O'Toole, President of **Pullman Trust & Savings Bank, Chicago, Ill.**

Mr. Costello, who was formerly Assistant Cashier, joined the staff of Pullman Bank in 1949.

* * *

The Rapid City National Bank, Rapid City, S. D., increased its common capital stock from $400,000 to $500,000 by a stock dividend effective July 6.

* * *

Promotion of five members of the staff of the **Republic National Bank of Dallas, Texas**, was announced on **July 13**, by Fred F. Florence, President, following the regular monthly meeting of the bank's Board of Directors.

Four men were named Assistant Vice-Presidents, and one was elected an Assistant Cashier. Named Assistant Vice-Presidents were Jack C. Payne, in the bank's Investment Department, and former Assistant Cashiers Wayne E. Dean, John L. Everman, and Ray J. Pulley. Charles W. Howell, in the bank's Mortgage Loan Department, was named Assistant Cashier.

Mr. Dean was first employed by Republic in 1936. Mr. Dean has held posts in the bank's City Collections, Transit, Credit and Collection Departments. His first post with the bank was as a runner.

Mr. Everman joined Republic's staff in 1946, he has served as a clerk in the Trust Department; as Assistant Manager, Real Estate Loan Dept.; Manager, Real Estate Loan Department; and as Assistant Cashier since January, 1952.

Mr. Pulley joined Republic in October of 1946. He has served as a stenographer in the Bond Department; as utility clerk; clerk in the Credit Department, and as junior and senior analyst in the Credit Department. Mr. Pulley was elected Assistant Cashier in 1952.

Mr. Howell was first employed by Republic in 1949. Since that time, he has worked in the bank's City Collections, Auditing, Mortgage Loan Departments.

* * *

The Board of Directors of **The Bank of California, N. A., San Francisco, Calif.**, at their regular meeting on July 13, authorized the following changes in the official staff of the bank which are effective immediately.

Eugene H. Gray, Assistant Trust Officer, was elected Trust Officer. Mr. Gray joined the staff as Assistant Trust Officer the latter part of 1951 and has since served as manager of the bank's Security Research Department.

Charles F. Butler, Assistant Trust Officer, was advanced to Trust Officer. Mr. Butler joined The Bank of California, N. A., Jan. 9, 1926 and in July of that year entered the Trust Department. He was elected an Assistant Trust Officer Dec. 31, 1946 and is the managing officer of the bank's Tax Department.

Fred D. Bennett was appointed Assistant Trust Officer. He joined the bank Oct. 1, 1935 and after working through various departments was assigned to the Trust Department in 1945.

He is a specialist in the Estate Planning Division of the Trust Department.

Louis Arlie was elected Assistant Cashier. Mr. Arlie began his banking career in 1921 as a bookkeeper. He was later transferred to the General Ledger Department and had served as Manager of that section from 1947 to 1952 before being assigned to the Cashier's Department. He became Internal Service Division Supervisor in mid-1953 and was serving in that capacity at the time of his appointment.

* * *

By a stock dividend effective July 6, **The First National Bank of Oroville, Calif.**, increased its common capital stock from $127,500 to $255,000.

* * *

J. Henry Schroder & Co. of London, represented in New York by the **J. Henry Schroder Banking Corp. and Schroder Trust Co.**, on July 19 celebrated its 150th anniversary.

It was in 1804 that the brothers John Henry and John Frederick Schroder, established themselves in London as merchants in grain, coffee, tallow and other produce.

Gradually, the firm shifted the main emphasis of its activities from merchandising to merchant banking. It began to finance the movement of merchandise in many parts of the world, but from an early stage it developed special ties with Latin America. Sugar, nitrate, coffee, wheat are some of the commodities which have moved in international commerce with the help of Schroder acceptance credits.

NYSE Increases Profit In Half Year

G. Keith Funston, President, reveals operations of the New York Stock Exchange for first six months of 1954 produced a consolidated net profit, after taxes, of $180,030 compared with $67,842 for same period of 1953.

The volume of trading for 1954 was 23% higher than last year, according to Mr. Funston. As a result, the income from the charge on commissions was up $294,018, comprising the major part of the increase in the income from member charges. Listing fees, at $1,369,152, showed an increase of $194,602. Other income was up $57,888 due primarily to the sale of promotional literature.

G. Keith Funston

The expenses for 1954 include a provision of $608,337 for anticipated year-end expenses and for reduction of member charges during the latter part of the year. The comparable figure for last year was $302,700. "All other expense" shows a reduction of $122,107 under the 1953 figure which included $235,000 for the installation of automatic announcing equipment in the quotation (bid-ask) division. Principal increase included in the 1954 figure is in the printing and stationery account due to the production of promotional literature for sale to members.

Leo Model Named Director of "Sofina"

Leo Model, senior partner of Model, Roland & Stone, 120 Broadway, New York City, members of New York Stock Exchange, has been elected a director of the Societe Financiere de Transports et d'Entreprises Industrielles (Sofina), it is announced.

Sofina, with headquarters in Brussels, is one of the world's leading international financial, utility and industrial investment companies, with interests in the United States, South America and Europe.

Mr. Model is also Chairman of the board of Mexico Tramways Company and a director of Lehigh Coal & Navigation Co.

With Smith, Barney

Smith, Barney & Co., 14 Wall Street, New York City, members of the New York and American Stock Exchanges have announced that Douglass E. Cope has become associated with the firm as a registered representative.

Elected Directors

M. H. Snodgrass, Sales Vice-President of Detroit Stoker Co., John C. Frost, Jr., and Carl H. Zuber, Vice-President of First of Michigan Corporation, have been elected directors of Detroit Stoker Co., according to William H. Riecks, President.

Shearson, Hammill Branch

NEWPORT BEACH, Calif. — Shearson, Hammill & Co. has opened a branch office at 3331 Via Lido under the management of Francis J. Mitchell.

Continued from first page

Major Depressions Are A Thing of the Past!

final judgment, yet the evidence so far points to an event of great historical importance—that **major depressions are a thing of the past.** This is in sharp contrast to all past experiences and history itself.

History records that every major war was followed by a period of boom and inflation, succeeded in turn by a period of depression and deflation. This occurred shortly after the Napoleonic Wars, after the Civil War and after World War I. In spite of the fact that World War II was the greatest in history, accompanied by more destruction than probably had occurred in all previous wars put together, and in spite of the fact that the boom lasted for nearly 12 years, so far the decline in business activity has been moderate in character and all indications are to the effect that a recovery is bound to set in in the not distant future.

Two Important Developments

In considering the future of the United States one has to take into account two very important developments: (1) the measures taken in the past to make the American economy more stable and less volatile, and (2) the potential developments and strength inherent in the American economy. An analysis of these two factors combined will give us great confidence in the future and enables us to make plans in the knowledge that the American economy is a vigorous, growing one and that if plans are carefully laid they are bound to be crowned by success.

What are some of the measures that have been taken in the past and which have added to the stability of the American economy? I will enumerate them, not particularly in their order of importance:

(1) **Bank failures** which in the past were rather numerous and had a serious and adverse effect on business activity in the country, have been largely eliminated. In spite of the readjustment in 1948-49, in spite of the readjustment in 1953-54, not a single bank failure has occurred. Contrast this with conditions as they existed after World War I and during the early '30s.

(2) **Bank credit,** which plays such an important role in the economy of every modern country, cannot under present conditions, be abused and bank credit has been separated from speculation in securities. One of the causes—and an important one—of th depression in the early '30s can be traced directly to the collapse of the stock market in 1929 which in part was caused by the abuses of bank credit.

(3) The entire **home financing** of the United States has been revolutionized. Two decades ago amortization of mortgages was very little known in this country. Today not only is every mortgage amortized, but also a considerable portion of the mortgage credit of the country rests on the credit of the government through FHA and VA.

(4) The broad **social security legislation** that was passed during the past two decades, unemployment insurance and old age pensions, has greatly broadened the economic security of the American people. If one adds to this the huge savings in the hands of individuals one must reach the conclusion that the economic security of the American people today is higher than perhaps that of any other country in the world.

(5) A considerable change has taken place in the **relationship between management and labor** and while this, at times, has been marked by considerable conflict, yet everybody must agree that progress is being made and that this too is contributing to the economic security and stability of the American people. These and a number of other developments of the past two decades have materially altered the economy of the United States and have given it an element of much greater stability than prevailed in the past.

Prosperity Not Due to War Spending

But what about the future? Somebody may say that the prosperity of the United States rested primarily on war and its aftermath and on the huge defense program which set in after the outbreak of Korean hostilities. The cynics go so far as to say that if military expenditures were drastically reduced it would lead to a sharp decline in business activity.

This is not so. In many respects it has the earmarks of Soviet propaganda.

The American economy is growing and is dynamic. The forces operating in the American economy are strong and hence if the international political situation should reach a point where large-scale reduction in military expenditures were possible, it would also be accompanied by a sharp reduction in taxes and would set in motion economic forces which would bring the economy of the country to higher and higher levels in the future.

Now, what are the forces operating in the American economy that give us so much confidence about the future?

People Are Earning More Money

In the last six years consumer income rose more, both relatively and absolutely, than in the whole war period of '41 to '47. More than 23% after taxes.

In 1947, taxes took a big bite of the national income, but still—our citizens carried home real income of $180 billion. (That is in terms of 1953 dollars and after taxes.)

But what happened to the average man in 1953? True, he paid more taxes than in 1947—taxes for defense, for arms and aid for our allies, for all the other costs of government.

But in spite of all the higher taxes, in spite of inflation too, our citizen was able to pay the bill and still come out with more money and with more goods to buy than he ever had before. In real spending power he had $220 billion.

He raised the per capita standard of living in constant dollars by nearly 12% in six short years.

Change in Income Distribution

The truly revolutionary development is the way the increased income has been distributed. In six short years between '47 and '53 the following changes have come about in spending groups:

Group	Income Before Taxes		1947		1953
The Bottom Group	Under $4,000	from	$36,700,000	to	$31,900,000
The Middle Group	$4,000—$7,500	from	9,200,000	to	17,300,000
The Top Group	Over $7,500	from	2,500,000	to	4,900,000
			$48,400,000	to	$54,100,000

Today, the largest area of growth is right smack in the middle group. We have a new kind of middle class, big, prosperous and constantly expanding. And this great middle-income market promises to become the decisive market of the future.

The question could well be asked — how could it have happened so fast, right under our very noses?

One of the answers is — our population is increasing and at an astounding pace: Last year four million children were born, and one million deaths were reported, so that the United States of America showed a net gain in population last year alone of three million people.

The Census Bureau predicts that our population will grow in the next 20 years to be one-third greater than it is today.

Still another reason for confidence—we have more new families and bigger families: Of the estimated 37 million couples, living together in 1953, over half were married within the last 13 years. Not only are more people getting married, they've been having more children.

Also we have more jobs: Total employment, including agriculture, in September 1953, was 62.3 million. Non-agricultural employment was 332,000 higher than in 1952, and . . . 20 million higher than the 1939 average. Regardless of temporary swings, the job trend is upward.

Furthermore we must build new homes, or remodel the great majority of our dwellings: Since 1950 we have built three million new homes. Housing is now a $20 billion market, already larger than the automobile market and promises to be the big growth industry for many years. Sixty-seven percent of our homes are now over 20 years old; 50% of our homes are over 30 years old. This has forced the wide-scale rebuilding or remodeling of existing homes.

In addition our school facilities ought to be almost doubled in the next few years: In America today, there are almost 70% more children under five years of age than we had in 1940.

We need more highways and better highways: In fact, we should completely remodel our entire highway system within the next few years. Today's roads are carrying almost 55 million vehicles, 72% more than in 1940. The pressure for action to relieve this congestion has become intense.

We must rebuild many of our cities: Entire sections of our cities need modernizing. For example . . . some authorities say that slums are the cities' number one problem. And, new suburbs are being built. In 12 largest metropolitan areas 72% of this growth was in the suburban areas.

We need to expand our entire voluntary hospital system: The increase in civilian hospital beds has fallen steadily behind our growth in population. There are still more than four million people in 41 states without adequate hospital facilities.

We must modernize much of industry: Because of new industrial needs and developments, we face a continuous need for plant modernization and for the replacement of industrial equipment which has become obsolete, outmoded or inadequate.

We need to increase our output of electrical energy by 250%: With the expected growth of this country, the electricity demand around 1975 would be for 1,400 billion kilowatt hours compared with the generation of 389 billion kilowatt hours in 1950. And the country has the natural resources—to support a rise in electric energy of this magnitude.

We're making greater technological progress: Only 5% of the work done in the United States today is manual; 95% is done by machinery and power. There is more power under the hood of a car today than was found in the average factory of 1890.

In addition, we have entered the amazing Atomic Age, a realm of new understanding of the physical substances which compose our universe. The changes which this tremendous fact will bring about defy prediction.

Yes, America is changing, and changing fast. And these changes have major implications for business. They produce needs which grow more compelling every day.

To meet just these obvious needs briefly outlined here, we have the opportunity to provide over $500 billion worth of goods and services at today's prices. This is how it breaks down.

Schools and hospitals, $40 billion. Highway, $60 billion. Housing, $100 billion. Durable equipment and non-residential construction, $300 billion.

Add them up, and we get $500 billion in these fields alone.

Tremendous Growth Ahead

In closing this talk I would like to say just this:

It takes only the willingness of each of us in this room to look at America with a **pair of fresh eyes** to recognize the tremendous opportunities that exist for all in the days ahead.

It means that each of us has to face up to the new ways of living, the new buying habits, the new goals that characterize the America of today. It means that we seek ever to **trade-up in our marketing efforts** and not trade-down. It means putting ideas to work to gain **a larger share of the market.**

It means that we in industry demonstrate to the world that Yankee ingenuity and vitality **is not dependent on defense spending** for its prosperity; that the strength and greatness of the nation is in the vigor of the openmindedness and individualism of every business serving the American consumer.

Yes, I say **it takes eyes that are looking toward the tomorrows**—and not backward toward the yesterdays—that will partake of all these expanded opportunities and goals.

In this room alone I see only eyes **that sparkle with the urge to help** hasten the coming of the great tomorrow and we of Seagram are proceeding with the construction of this building because **we have the confidence in America's tomorrow!** Yes, "the better you know America, the better the future looks."

Birkenmayer Co. Formed

DENVER, Colo. — Wilson C. Birkenmayer, Jr. has formed Birkenmayer & Co. with offices in the U. S. National Bank Building, to engage in a securities business.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga.—William Gold has become affiliated with King Merritt & Co., Inc.

W. J. Garrett Co. Opens

DALLAS, Texas — William J. Garrett has formed Wm. J. Garrett & Company with offices in the Interurban Building to conduct a securities business. The firm will have a branch office at 2009 Fannin Street, under the direction of R. E. Searl.

Wolfe Co. to Admit

Paul Reif will be admitted to partnership in Wolfe & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange on Aug. 1.

Continued from page 3

The Outlook for Business and Securities

earnings were to decline somewhat, the probabilities are that most of the first ranking companies—and a good many of the secondary companies—would be able to pay out dividends at current levels.

(8) **Corporate Assets Growth.** The great growth in corporate assets—a good part of which was financed by emergency amortization, as set forth above.

(9) **Political Factors.** Any Administration, to stay in office, must take rapid action to support the economy if deflationary developments appear prospective. In this connection it is noted that Mr. Burns, head of the President's Council of Economic Advisors, despite the high plateau on which business is operating, has indicated that if there is not further pick-up in the months ahead, the Government should take strong measures to increase employment, etc.

(10) **World Situation.** We feel the recent cutback in defense spending (which, together with lower inventories and some decline in consumer spending constituted the major reasons for the recent business decline) appears to have run its course and that, in light of the world situation, some further step-up in such expenditures appears likely. We also recognize that this country might well be involved in the Indo-China War, at a minimum in terms of supplying materiel and technical advice; and, at a maximum, actually involving the use of our armed forces in that theatre. We feel, however, that an all-out world war with the Communist forces is less than an even chance over the shorter term.

(11) **Stock Market.** Largely because of the factors enumerated above, it is pointed out that the stock market is in a long-term uptrend and that, fundamentally, securities do not appear overvalued in relation to earnings and dividends; and are at reasonable levels in relation to the present yields obtainable on prime bonds. Stocks today yield about 1.88 times the return available from high grade bonds. Historically, this does not represent a danger zone. Similarly stocks are selling about 12 times earnings or far below the relationship which prevailed at the 1929, 1937 and 1946 tops. The present price-earnings ratio, while above the 9 or 10 times ratio of recent years of market undervaluation, is not at excessive levels.

Supply and demand factors are favorable to the market. In our opinion, however, stocks are approaching the top line of the long range upward channel that has obtained for the past 50 years. With this in mind, some caution appears warranted from a shorter term viewpoint.

There has been a marked liberalization of legal rules and also investment attitudes with regard to trust investments in equities. Most of the states have changed their laws from the old New York rule or "legal investments" to the Massachusetts rule of "prudent investments." There is increasing demand for stocks on the part of pension funds, profit sharing trusts, and mutual funds. There has been a decided change in the attitude of institutional investors of this type. Common stocks are now accepted as an integral part of sound portfolio planning. The impact of the increasing institutional demand for stocks from sources such as these has been reflected in the superior performance of the "blue chips," in contrast with the equities of secondary companies. Demand of this type normally is of a long-term character. It not only should be maintained, but is likely to increase further.

It is therefore our conclusion that despite the possibility of somewhat lower prices over the shorter term, well-balanced portfolios and those that have been set up along investment lines should not be disturbed. At the same time, caution should be exercised in making new commitments and, in most cases, it would appear advisable to await more favorable buying levels.

The basic reasons justifying the conclusions set forth above are summarized as follows:

The Business Situation

For purposes of perspective, it is necessary to consider three questions: (1) Where have we been? (2) Where are we now? (3) Where will we be (a) over the shorter terms, and (b) over the longer term?

Our economy has enjoyed the greatest and the longest boom in its history. This stems essentially from World War II, a subsequent cold war, a small hot war (Korea), and now a cold war. Since 1939 all the economic indices have reflected the tremendous gains which have occurred in production, consumption, gross national product, disposable income of the individuals, savings, wage rates, etc.

At the present time the various indices of our economic activity indicate that we are slightly below the all-time peak which was attained last year. There is adequate basis for concluding that 1954 will be the second best year in our history. The moderate readjustment which has occurred since the peaks attained around the middle to third quarter of last year, reflect primarily (a) inventory liquidation, particularly in manufacturing industries; (b) a drop in defense spending; and (c) some cutback in consumers' expenditures for durable goods. It is important to note that there has been only a very slight decline in final purchases for consumption and investment. Putting it another way, the decline in production (about 10% as measured by the FRB Index) has been considerably greater than the actual decline in consumption, which is estimated at 3%-5%.

It always is more difficult to predict the future than to issue a statement of reasons as to why certain things have occurred in the past. However, there is basis for concluding that the decline of the past several months bottomed out in March. Since then there has been moderate improvement. Analysis of the situation does not provide basis for predicting that there will be an important and sharp upswing from current levels, which are highly satisfactory in historical perspective. There is likely to be some further inventory reduction but it would appear that the bulk of the inventory decline has taken place. Capital goods expenditures, according to the various forecasts should continue at good levels, but are not likely to show further improvement.

Federal expenditures probably have seen their readjustment and some moderate increase is anticipated not only for economic reasons, but in light of political considerations. However, expenditures by states and municipalities have been moving up and this trend is likely to continue.

There should be stability of demand at current levels in the consumer sector of our economy and, in fact, a modest improvement can be anticipated reflecting the high level of disposable income and some probable reduction in the extraordinarily high rate of savings; and from the fact that consumer purchasing power has been helped by the relative stability in the cost of living.

While the price level shows negligible change over the yast year actual buying power has been going up for reasons not readily reflected in the statistics, namely discounts obtainable in reflection of the return of a "buyers' market" which enables favorable deals by buyers, particularly in consumer durable goods.

Long-Term Outlook

It is interesting to note that every forecast which has been made over the period of years as to the longer-term aspects of our economy, even though they appeared greatly optimistic at the time, proved in actual results to be unduly conservative. Giving consideration to the growth of population, the broader base of income, easy credit and the availability of funds, and the other factors enumerated previously, there is every basis for concluding that the long-term trend of national income, production, consumption, etc., will be considerably higher over the next decade.

What are the reasons for the conclusions adduced above? The answers lie in a supply and demand analysis.

Production: It must be recognized that this nation's ability to supply goods normally exceeds demand. Barring only the abnormalities of war-time periods, when huge military demand is superimposed upon civilian demand, we always have been in a position historically where there has been a buyers' market. The FRB Index hit its recent low in March, around 123, and currently is around 125 compared with 134 average for 1953 and a 1953 peak of 137. It is likely that the 10% decline will not be exceeded this year, and that the second half will see a moderately higher level of production than the first half, in part reflecting a diminished rate of inventory liquidation.

Consumption: There are three main streams of demand, namely the demand for durable goods by industry; demand by consumers for soft goods and semi-durables; and demand by government. For many years economists consistently have forecast a rather sharp decline in plant and equipment expenditures. They have been consistently wrong. Such expenditures thus far this year have been running only a shade below last year's all-time peak. Current estimates by the SEC and by McGraw Hill, the two leading authorities in this field, indicate a probable expenditure of roughly $27.5 billion, or only about $1 billion below last year's all-time peak of $28.5 billion. The plans of leading corporations show a budgeting of high level expenditures for the long term. Too little attention has been given by the public and economists, alike, to the requirements from new developments such as atomic energy and automation; and to the prevailing intensive competition, which necessitates new and improved plant, equipment, and products.

The ability of corporations to make such expenditures is fortified by their improved net asset position and by the large cash flow from retained earnings (a conservative dividend pay-out ratio), and by large depreciation and emergency amortization. Without question, business has entered a period of intensive competition which may effect profit margins. However, this is being partly offset by price rises, increased labor productivity, and now (particularly since the demise of the excess profits tax) be more careful cost control.

There has been a pronounced decline in pre-tax profits. However, net after taxes in 1954 to date has been running at an $18 billion annual rate, or only moderately below the $19 billion net of 1953 and the $18.6 billion of 1952. The comfortable cash position has been reflected in the steady increase in dividend payments. Last years payments of $9.3 billion approximated our October, 1953 estimate of $9.4 billion; and compares with $9.1 to $9.2 billion the two previous years. Our confidence that 1954 payments would be greater is borne out by the first quarter's figures of $9.6 billion annual rate. We anticipate the aggregate for the full year will approximate this favorable rate, and may be augmented further if the partial dividend tax credit proposal becomes law. At this writing, the outcome appears uncertain. Political considerations portend that the dividend relief, if any, will be of minor consequence.

Construction: Residential construction has roughly paralleled last year's favorable figures. It is estimated that new housing starts will approximate the 1.1 million units of the last three years. It is particularly significant that private starts have been moving up to a degree where they have been offsetting the decline in public starts. Heavy construction has been running well ahead of last year. In addition, construction contracts awarded have been favorable, and this has forecasting value for a favorable future trend of activity. Government sources have raised their sights and now estimate 1953 total construction at about $36 billion, slightly above last year's all time high.

Consumer Demand: The ability to buy has been maintained close to 1953 peak levels. This is indicated by the fact that liquid savings of individuals at the end of 1953 approximated $200 billion. In addition, disposable personal income (what individuals have available for spending after deducting taxes) approximated a $250 billion annual rate for the first quarter of 1954 compared with $245.5 billion in the first quarter of 1953 and about $248 billion average for the full year 1953. At the same time, per capita disposable income was about the same as in the first quarter 1954, namely about $1,647. It is interesting to note that since 1939 per capita income, even adjusting for the increase in the price level, has gone up by almost 50%.

Despite the increase in income, total personal consumption expenditures currently are estimated a shade below the $230.5 billion annual rate of the second quarter of last year. However, the aggregate decline has been less than that commonly discussed, having been about $230 billion for the first quarter of 1954, up about $2 billion from the first quarter of 1953 and almost exactly the same as the average for last year. (All figures at annual rates.) The total figure reflects a very slight decline in expenditures for non-durable goods and a sharper percentage decline in expenditures for durable goods. On the other hand, expenditures for services show a marked increase, being at a $81.3 billion annual rate during the first quarter of 1954 compared with $78.4 billion average for all of 1953 and a $76.3 annual rate the first quarter of 1953. Total retail sales for the first five months of 1954 on a seasonally adjusted basis have approximated the rate of the last five months of 1953, and have been only a 2.4% below the favorable first five months of 1953.

The difference between income and expenditures has been reflected in savings, which have been running at an annual rate of about $20 billion compared with about $18 billion in 1953, $17 billion in 1951 and 1952, and $11 billion in 1950. The rate of savings, expressed as a percentage of disposable income, has been around 8%, which is even higher than the 7.5% rate of 1952 and 1953. The average rate of savings in the 1946-49 period approximated 4.6% of disposable income. It is interesting to note that purchases of savings bonds have been running ahead of the like period of last year, both in absolute dollars and also in relation to redemptions. Similarly, savings which have gone into purchases of insurance, and into savings and loan associations, show increase over last year.

Reduced Consumer Debt

The second concomitant has been the reduction in consumer debt. There was a slight increase in April, but despite this, at the end of April, total consumer debt outstanding was $27.3 billion, down $1.6 billion from December, 1953. This reflects repayments on instalment debt previously contracted, particularly in the field of consumers semi-durables. (Consumer debt, while high, is not out of line in relation to disposable income.) Some decline in the rate of savings would not be surprising and thus there could be an increase of $2 to $3 billion in consumer expenditures, even with no change in the level of consumer income. Consumer purchasing power further will be augmented by the decrease in income taxes. This should be advantageous to the consumer assuming the probability of no important change in the cost of living.

Many union sources have stressed the increase in unemployment, which reached a peak of about 3.7 million in March. Since then there has been a decline in unemployment to around 3.3 million in May. The current figures will show some increase reflecting graduating students who will be looking for jobs. It has been virtually overlooked that normal unemployment, reflecting turn-over, etc., should run about 5% of the labor force. Also, commentators usually fail to point out that there has been an important increase in the labor force. Total employment in May, 1954, was 67.8 million, which compared with 55.6 million in 1939. Civilian employment has increased from 55.2 million in 1939 to 64.4 million at present, an increase of 9.2 million gainfully employed.

Despite the increase in unemployment, total compensation of employees in the first quarter of 1954 was at an annual rate of $205.1 billion compared with a $204.5 billion annual rate for the first quarter of 1953 and an actual figure of $207.6 billion for the full year 1953. Higher wage rates have largely offset the effects of shorter working hours and increased unemployment.

Government Expenditures: The demand by government for goods and services has grown to be "big business" and is an important factor in the overall level of economic activity. Total government expenditures the first quarter of 1954 were down almost $5 billion at annual rates from the average of 1953. This resulted largely from decline in national security expenditures. State and local expenditures have moved up at about a $2 billion annual rate to $27.1 billion. It is believed that there is unlikely to be a further decline in defense expenditures; and it appears most probable, in light of appropriations already made, that expenditures by states and municipalities wil continue to rise. The demand for schools, hospitals and highways is prodigious.

Inventories: Changes in inventory show up in the figures on gross private domestic investment, which is an important component of gross national product. Virtually the entire $6 billion decline at annual rates in gross national product from the third to the fourth quarter of 1953, and roughly comparable decline from the last quarter of 1953 to the first quarter 1954, show up in the reduction in gross private domestic investment. This, in turn, stems from changes in inventory figures. Over the past six years, inventories were increased every year with the exception of 1949. In the second quarter of 1953 inventories were increased at an annual rate of $6.3 billion, but this dropped to a $3.1 billion rate in the third quarter and a $3 billion annual rate of *reduction* in the fourth quarter 1953. In the first quarter of 1954 inventories were reduced at an annual rate of $4.8 billion.

While inventories may require some moderate further reduction, the bulk of the readjustment appears clearly to have occurred. Consumption appears to be running at rates in excess of current production. Even a moderate pickup in consumption should be fully reflected in a higher level of production.

New Orders: There has been a pickup in new orders. Despite the fact that new orders are down from levels of a year or so ago, they still are substantial. Part of the reduction reflected a cutback in government expenditures for defense purposes.

Money Supply: It is quite apparent that political factors necessitate easy money and that budgetary deficits will continue to be the rule rather than the exception. To the extent that deficits are financed through the banking system, the result is to increase the money supply. The following indicates that the supply of money has roughly tripled since 1939 and almost quadrupled since 1929.

MONEY SUPPLY
(Source, Board of Governors of the Federal Reserve System)

Year	Total deposits and currency
1929	$54 billion
1939	64 billion
1949 (July)	174 billion
Current	202 billion

It is interesting to note that in the past year the Federal Reserve has exercised all of its major powers in the direction of easy money. In the middle of last year and again very recently, there has been a reduction in member bank reserve requirements, which greatly increases lendable funds. The rediscount rate has been reduced. Also, open market operations of late have been on the buying side, which makes for further credit ease.

Joins Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul S. Miles has joined the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Harris, Upham & Co.

Security Assoc. Adds

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — David Shultz is now affiliated with Security Associates, Inc., 137-139 East New England Avenue. He was formerly with A. M. Kidder & Co.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Warren K. Salisbury is now with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Abe Linker has been added to the staff of Goodbody & Co., Heyburn Building.

Continued from page 5

The State of Trade and Industry

the weekly magazine of metalworking. Ingot output regained 5.5 points in the first full work week of July, the week ended July 18. That recovery was made despite vacations in the steelmaking and steel consuming plants. By recovering, 5.5 points the ingot rate reached 65% of capacity. Thus bringing the rate to a high of 73.5%.

Another proof that business is sound, asserts "Steel," is the smoothness with which the steel price increases were put into effect as a means of passing along part of the wage increase given the steelworkers. Steel prices have remained remarkably stable ever since steel demand started declining a year ago. Base prices have been holding particularly firm. What concessions have been made have been largely in the form of freight absorption by producers.

Some people look upon the maintenance of price stability in the steel industry as a reason why business as a whole has not gone into a tailspin. Price cutting, they say, would not generate any additional demand for steel. Declaring it merely would have weakened confidence and demoralized business as a whole. A quarter-cent cut per pound in the price of steel going into an automobile would lower the cost of the car only about $9, hardly enough to touch off a buying spree.

With seasonal factors back into vogue, it's reasonable to expect an upturn in steel demand as the summer fades away. The automobile industry will be launching into production of its new models and will be ordering steel actively. Some steel sellers already report a gain in orders specifying September and October delivery of cold-rolled sheets.

This steel weekly magazine of metal working states further, "If steel production can equal the pace of the auto industry from here on, steelmaking in the last half of this year will exceed that of the first half when ingot output totaled 44,128,998 net tons, 24% below the 57,945,936 tons turned out in the first half of last year. Meanwhile, production in the automobile industry, user of one-fifth of all the steel made in the U. S., was down only 10%. This shows that many steel users were living off their inventories of materials."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity as of Jan. 1, 1954 for the entire industry, will be at an average of 66% of capacity for the week beginning July 19, 1954, equivalent to 1,573,000 tons of ingots and steel for castings, as against 1,534,000 tons and 64.3% (actual) a week ago. It had been forecast output would reach 65.4% or 1,559,000 tons.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 72.1% and production 1,720,000 tons. A year ago the actual weekly production was placed at 2,128,000 tons or 94.4%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Is Up for the July 17th Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 17, 1954, was estimated at 8,951,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 766,000,000 kwh. above the preceding week, or an increase of 742,000,000 kwh., over the comparable 1953 week and 771,000,000 kwh. over the like week in 1952.

Building Permits Near Record Volume for Half Year

Building permit values expanded sharply during June and totaled $520,959,882 for the 215 cities reporting regularly to Dun & Bradstreet Inc., again of 14.4% over the $455,523,853 for the corresponding month a year ago, and was the highest June volume ever recorded, with the one exception of June, 1950. Comparison with the May total of $431,319,589 revealed a rise of 20.8%. Applications filed in New York City in June were valued at $39,149,744 off 9.5% from $43,264,650 in June last year, but an increase of 10.7 above the May figure of $35,373,510.

The aggregate valuation of building permits for 215 cities for the past six months of 1954 was $2,629,615,770 or only 3% less than the record high volume of $2,709,920,127 for the first half of 1950. It was 2.70% greater than the comparable 1953 total of $2,560,676,211. Building plans filed in New York City during the six months' period had a valuation of $311,749,036 or an increase of 27.3% over a year ago sum of $244,844,536. Excluding New York City, permits in 214 outside cities for the cumulative period amounted to $2,317,866,734, compared with $2,315,831,675 for the similar period last year or a gain of 1%.

Business Failures Increase Moderately

Commercial and industrial failures rose to 226 in the week ended July 15 from 196 in the preceding week, reported Dun & Bradstreet, Inc. At the highest level in eight weeks, casualties exceeded sharply the year-ago toll of 148 and the 103 which occurred in 1952. However, mortality remained 17% below the pre-war level of 272 in 1939.

Liabilities of $5,000 or more increased to 192 from 175 and were over twice as numerous as last year when 94 of this size were recorded. An upturn also appeared among small casualties under $5,000, lifting their toll to 34 from 21 but not reaching their 1953 level of 54. Fifteen businesses failed with liabilities in excess of $100,000, as against 17 in the preceding week.

While the rises from 1953 were slight in manufacturing and moderate in wholesaling, casualties in retail, construction and service trades climbed sharply. More concerns failed than a year ago in all lines.

Canadian failures totaled 24 as compared with 23 in the previous week and 13 in the similar week of 1953.

Retail Sales Down

The dollar volume of retail sales in the week ended July 14 dipped somewhat from that of the preceding week but was slightly above the volume of a year ago. Retailers reported that shoppers favored suburban over downtown department stores and continued to spend more for soft goods than they did at this time a year ago. As in the past few weeks, vacation spending was high, and resort business this year is expected to be the most profitable in the country's history.

The total dollar volume of retail trade in the week ended July 14 was estimated by Dun & Bradstreet, Inc., to be from 1% below to 3% above the level of a year ago.

Clearance sales were again featured by many apparel merchants this week, and total receipts were about equal to those of last week.

Housewives decreased somewhat their spending for food this week. Restaurants, particularly in resort areas, reported their volume of business was above that of a year ago.

The total sales of household goods decreased moderately this week, although cooling devices were in heavy demand. Automobile purchases were below those of last week, well under last year's comparable figures.

Wholesale Trade Down

The volume of wholesale buying in the week ended July 14 was slightly less than that of a week ago and significantly smaller than that of the corresponding week of 1953. The greatest decreases from last year's buying were in the apparel and textile lines.

The textile trade was quiet this week due to vacation shutdowns of most mills and finishing plants; only limited textile supplies were available in the markets.

The volume of wholesale food buying was unchanged from that of a week ago. Hog slaughter was greater this week than in the corresponding week of 1953 and is expected to continue rising.

Regional furniture exhibitions opened in many parts of the country this week. Retail furniture sales have improved in the past month and a half, and dealers' stocks are consequently lower than for some time. Case goods and bedding were in more demand than a week ago; television buying lagged; dealers' interest in high fidelity phonographs improved.

Manufacturing Up

The total volume of industrial production in the week ended July 14 increased moderately over the output of a week ago but continued to be below the high level of last year. The number of continued claims for unemployment insurance payments in the week ended June 26 declined 2% from those of the preceding week, and initial claims in the week ended July 3 increased by 50,000 persons, a rise of 19% over the number of the previous week. Many workers not eligible for vacation pay filed for benefits during vacation periods, and temporary factory layoffs for inventory taking added to the increase in initial claims.

Heavy construction contract awards increased 44% from the level of the preceding week and 63% from that of last year. Lumber output was down 28% from that of last week and 62% from the year-ago comparative.

Paper mills operated at 84% of capacity, 8 points below last week's output and 15 points above that of a year ago. The production of paperboard declined 44% from the level of the preceding week and 10% below that of the similar week in 1953.

Meat production declined 9% this week, or 1% lower than last year at this time. Flour milling decreased 8% from the output of last week, or 3% above the year-ago comparative.

U. S. vehicle production rebounded sharply this week as an estimated 125,210 cars and trucks were built, compared to 98,982 a week earlier. The July 12-16 total reflected a 26% increase over the holiday-shortened July 5-10 count, but output was still 24% below the pace set in the same 1953 week, according to Ward's Automotive Reports.

The deterrents to this week's operations were shutdowns of Kaiser, Willys and Studebaker (South Bend) cars lines, also inventory taking at the Lincoln-Mercury, Wayne (Mich.) plant Thursday and Friday. A flareup in the trim department at Dodge Main forced suspension of assembly there early Thursday morning. The Division was slated for five full days this week, following last week's shutdown. This Chrysler Division and the truck unit were the only corporation plants slated to put in 40 hours this week. Plymouth and De Soto worked four-day tricks. Packard was back after two weeks of idleness on car manufacture.

On the truck front, Divco, Federal and White were out all week, but other truck makers picked up the slack as an estimated 18,456 jobs were turned out, compared to 14,439 a week ago. White will resume production next week, following the short curtailment for inventory adjustment.

Cadillac has pared the work-day from 10 hours to 9 hours.

Despite the high-priced leader's slight cutback, General Motors' volume gave her 54.9% of car production this week. Chrysler Corp. took 12.5%, Ford Co., 29.6%, and the Independents slipped to 3.0%. The same week in 1953 saw these producers take 45.5%, 20.1%, 27.3% and 7.1%, respectively.

The cumulative vehicle tally to date in 1954 shows that car and truck production is 12% behind the corresponding 1953 term, with an estimated 3,788,502 completions against 4,281,204. Car assembly is running 11% under 1953, with approximately 3,189,646 units to 3,587,871 a year ago, while truck erections trail by 14%, or about 598,856 against 693,333 at the same 1953 interval.

Canadian plants produced 16% fewer vehicles this week (5,923) than in the previous week (7,087). Thus far in 1954, output is 17% under 1953, with 257,765 units to 311,820 in record year 1953.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 25	§66.0	*64.3	72.1	94.4
Equivalent to— Steel ingots and castings (net tons)	July 25	§1,573,000	*1,534,000	1,720,000	2,128,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 9	6,280,700	6,441,400	6,495,400	6,515,700
Crude runs to stills—daily average (bbls.)	July 9	‡7,121,000	7,005,000	6,820,000	7,267,000
Gasoline output (bbls.)	July 9	23,762,000	23,888,000	22,934,000	24,428,000
Kerosene output (bbls.)	July 9	2,422,000	2,277,000	1,729,000	2,421,000
Distillate fuel oil output (bbls.)	July 9	9,253,000	10,137,000	9,792,000	10,185,000
Residual fuel oil output (bbls.)	July 9	8,117,000	8,166,000	8,455,000	8,965,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 9	163,712,000	164,546,000	171,303,000	142,527,000
Kerosene (bbls.) at	July 9	29,078,000	27,942,000	24,807,000	28,520,000
Distillate fuel oil (bbls.) at	July 9	90,719,000	86,765,000	77,495,000	89,860,000
Residual fuel oil (bbls.) at	July 9	52,330,000	50,645,000	48,530,000	47,154,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 10	569,562	618,597	697,583	721,454
Revenue freight received from connections (no. of cars)	July 10	478,396	552,975	585,620	561,193
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 15	$431,055,000	$298,511,000	$317,924,000	$264,210,000
Private construction	July 15	254,577,000	127,027,000	171,780,000	148,808,000
Public construction	July 15	176,478,000	171,484,000	146,144,000	115,402,000
State and municipal	July 15	112,844,000	112,307,000	111,001,000	81,009,000
Federal	July 15	63,634,000	59,177,000	35,143,000	34,393,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 10	5,340,000	*1,455,000	7,560,000	6,913,000
Pennsylvania anthracite (tons)	July 10	347,000	63,000	551,000	590,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 10	77	93	111	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 17	8,951,000	8,185,000	8,850,000	8,209,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 15	226	196	207	148
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 13	4.801c	*4.801c	4.634c	4.634c
Pig iron (per gross ton)	July 13	$56.59	$56.59	$56.59	$56.76
Scrap steel (per gross ton)	July 13	$26.58	$26.75	$28.08	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 14	29.700c	29.700c	29.700c	29.675c
Export refinery at	July 14	29.675c	29.600c	29.600c	29.825c
Straits tin (New York) at	July 14	96.750c	96.750c	93.500c	93.500c
Lead (New York) at	July 14	14.000c	14.000c	14.250c	13.500c
Lead (St. Louis) at	July 14	13.800c	13.800c	14.050c	13.300c
Zinc (East St. Louis) at	July 14	11.000c	11.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 20	100.35	100.40	99.93	93.64
Average corporate	July 20	110.34	110.15	110.15	103.47
Aaa	July 20	115.24	115.24	115.04	107.80
Aa	July 20	112.37	112.19	112.19	105.69
A	July 20	109.97	109.79	109.79	102.63
Baa	July 20	104.14	104.14	104.31	98.25
Railroad Group	July 20	108.88	108.88	108.88	101.47
Public Utilities Group	July 20	110.70	110.52	110.52	103.47
Industrials Group	July 20	111.44	111.25	111.44	105.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 20	2.47	2.46	2.51	2.96
Average corporate	July 20	3.15	3.16	3.16	3.54
Aaa	July 20	2.89	2.89	2.90	3.29
Aa	July 20	3.04	3.05	3.05	3.41
A	July 20	3.17	3.18	3.18	3.59
Baa	July 20	3.50	3.50	3.49	3.86
Railroad Group	July 20	3.23	3.23	3.23	3.66
Public Utilities Group	July 20	3.13	3.14	3.14	3.54
Industrials Group	July 20	3.09	3.10	3.09	3.42
MOODY'S COMMODITY INDEX	July 20	431.0	431.7	426.4	426.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 10	180,775	262,900	239,638	217,725
Production (tons)	July 10	126,542	227,077	256,496	254,689
Percentage of activity	July 10	46	84	95	98
Unfilled orders (tons) at end of period	July 10	417,331	359,324	408,682	560,897
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 16	106.80	106.53	106.95	106.06
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 shares	July 3	1,038,593	960,918	723,761	553,322
Dollar value	July 3	$51,125,583	$44,877,879	$34,123,978	$25,060,128
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	July 3	1,014,840	984,723	708,645	450,843
Customers' short sales	July 3	9,040	8,724	3,758	6,672
Customers' other sales	July 3	1,005,800	975,999	704,887	444,171
Dollar value	July 3	$45,735,376	$42,705,386	$30,587,060	$17,703,452
Round-lot sales by dealers—					
Number of shares—Total sales	July 3	314,280	324,830	204,010	121,150
Short sales	July 3	------	------	------	------
Other sales	July 3	314,280	324,830	204,010	121,150
Round-lot purchases by dealers— Number of shares	July 3	329,250	296,110	232,170	217,850
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	June 26	496,990	396,060	433,750	213,480
Other sales	June 26	10,323,190	8,678,720	10,700,330	5,162,870
Total sales	June 26	10,820,180	9,074,780	11,134,000	5,376,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 26	1,131,710	986,670	1,216,320	594,520
Short sales	June 26	226,840	198,120	260,670	93,730
Other sales	June 26	888,590	808,450	959,670	481,070
Total sales	June 26	1,115,430	1,006,570	1,220,340	574,800
Other transactions initiated on the floor—					
Total purchases	June 26	326,720	272,790	381,970	177,070
Short sales	June 26	23,300	23,400	26,500	9,300
Other sales	June 26	303,340	258,640	374,500	157,230
Total sales	June 26	326,640	282,040	401,000	166,530
Other transactions initiated off the floor—					
Total purchases	June 26	339,425	276,820	379,070	238,888
Short sales	June 26	102,810	73,680	47,740	54,350
Other sales	June 26	404,080	357,495	392,675	315,572
Total sales	June 26	506,890	431,175	440,415	369,922
Total round-lot transactions for account of members—					
Total purchases	June 26	1,797,855	1,536,280	1,979,860	1,010,478
Short sales	June 26	352,950	295,200	334,910	157,380
Other sales	June 26	1,596,010	1,424,585	1,726,845	953,872
Total sales	June 26	1,948,960	1,719,785	2,061,755	1,111,252
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 13	110.2	110.0	110.0	110.5
Farm products	July 13	95.9	*94.8	94.7	97.4
Processed foods	July 13	105.6	*105.3	104.8	104.6
Meats	July 13	94.3	93.7	92.9	95.9
All commodities other than farm and foods	July 13	114.2	*114.2	114.4	114.5

*Revised figure. ‡Includes 783,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of May	125,138	120,434	105,464
Stocks of aluminum (short tons) end of May	72,194	‡62,894	21,015
AMERICAN GAS ASSOCIATION—For month of May:			
Total gas (M therms)	4,462,299	5,134,470	4,412,000
Natural gas sales (M therms)	4,200,431	4,809,586	4,141,800
Manufactured gas sales (M therms)	45,025	67,886	74,200
Mixed gas sales ((M therms)	216,843	256,998	196,000
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	7,361,000	*7,472,738	9,404,479
Shipments of steel products (net tons)—Month of May	5,423,168	5,287,972	7,209,396
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	30,620,000	29,000,000	*38,632,000
Pennsylvania anthracite (net tons)	2,221,000	1,877,000	2,386,000
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	85,089	*78,231	84,943
Refined (tons of 2,000 pounds)	112,121	108,403	127,294
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	106,252	111,005	139,300
Refined copper stocks at end of period (tons of 2,000 pounds)	69,181	82,111	58,126
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$246,264,000	$276,821,000	$214,382,000
Exports	142,919,000	143,195,000	111,679,000
Domestic shipments	15,362,000	16,810,000	11,291,000
Domestic warehouse credits	80,970,000	98,096,000	21,177,000
Dollar exchange	59,715,000	36,246,000	35,000,000
Based on goods stored and shipped between foreign countries	43,396,000	44,702,000	34,684,000
Total	$588,626,000	$615,870,000	$428,213,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of April: (000's omitted):			
All building construction	$950,472	*$887,732	$1,018,052
New residential	530,601	*488,739	536,184
New non-residential	304,932	*297,066	362,821
Additions, alterations, etc.	114,939	*101,927	119,043
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of June:			
Manufacturing number	208	200	145
Wholesale number	89	91	80
Retail number	455	460	419
Construction number	132	111	99
Commercial service number	81	81	74
Total number	965	943	817
Manufacturing liabilities	$18,454,000	$15,621,000	$11,179,000
Wholesale liabilities	4,878,000	4,499,000	3,777,000
Retail liabilities	11,722,000	11,739,000	12,464,000
Construction liabilities	4,514,000	3,674,000	3,200,000
Commercial service liabilities	2,045,000	2,961,000	1,759,000
Total liabilities	$41,613,000	$38,494,000	$32,379,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30 (000's omitted)	$656,000	$618,000	$403,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of July 1 (in thousands):			
Corn, all (bushels)	3,311,493	------	3,176,615
Wheat, all (bushels)	988,321	999,561	1,168,536
Winter (bushels)	758,440	739,917	877,511
All spring (bushels)	229,881	259,644	291,025
Durum (bushels)	18,654	------	12,967
Other spring (bushels)	211,227	------	278,058
Oats (bushels)	1,544,674	------	1,216,416
Barley (bushels)	372,519	------	241,015
Rye (bushels)	23,102	20,939	17,998
Flaxseed (bushels)	50,359	------	36,813
Rice (100-lb. bags)	60,159	------	52,529
Hay, all (tons)	107,494	------	105,300
Hay, wild (tons)	11,752	------	12,216
Hay, alfalfa (tons)	48,336	------	44,374
Hay, clover and timothy (tons)	27,232	------	29,851
Hay, lespedeza (tons)	5,079	------	4,129
Beans, dry edible (100-lb. bags)	18,690	------	18,114
Peas, dry field (100-lb. bags)	3,793	------	3,350
Potatoes (bushels)	345,622	------	373,711
Sweetpotatoes (bushels)	32,669	------	33,974
Tobacco (pounds)	2,021,923	------	2,057,221
Sugarcane for sugar and seed (tons)	6,706	------	7,661
Sugar beets (tons)	13,019	------	12,084
Hops (pounds)	43,475	------	41,303
Apples, commercial crop (bushels)	101,999	------	92,877
Peaches (bushels)	62,721	67,318	64,473
Pears (bushels)	28,831	29,153	29,081
Grapes (tons)	2,702	------	2,696
Cherries (12 States) (tons)	187	185	224
Apricots (3 States) (tons)	167	170	243
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of April:			
Net railway operating income	$60,041,252	$69,628,460	$101,509,341
Other income	18,547,881	19,137,767	16,351,936
Total income	78,589,133	88,766,227	117,861,277
Miscellaneous deductions from income	3,429,020	3,592,068	4,070,649
Income available for fixed charges	75,160,113	85,174,159	113,790,628
Income after fixed charges	41,696,428	51,605,119	80,091,454
Other deductions	2,987,726	2,741,452	2,850,294
Net income	38,708,702	48,863,667	77,241,160
Depreciation (way & structure & equipment)	43,798,520	43,688,049	41,972,854
Federal income taxes	21,669,324	29,973,399	56,165,245
Dividend appropriations:			
On common stock	12,529,801	19,425,011	6,972,093
On preferred stock	2,179,917	5,294,224	2,119,976
Ratio of income to fixed charges	2.25	2.54	2.38
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	$45,463,200	------	------
Net purchases	------	$2,761,200	$20,077,450
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	10,107	10,074	14,846
Shipments (short tons)	11,339	12,827	16,246
Stocks at end of month (short tons)	15,952	17,109	27,151

*Revised figure. ‡Corrected figure.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Kidder, Peabody & Co., 17 Wall Street, New York, have recently distributed the 1954 edition of their annual review entitled "The Case for Bank Stocks."

The report this year is somewhat more comprehensive in that the number of companies reviewed is larger. Selected financial data for 14 of the major New York City banks are shown together with comparable information on 15 of the larger banks in the other important cities of the country, or a total of 29 banks in all. In addition to the above banks, selected data on four of the larger bank holding companies are included in the review.

As in earlier editions, the tables and comments with respect to earnings, dividends, book values, and stock market prices are especially interesting and helpful in formulating ideas about bank shares at this time.

The significant highlights from the Kidder Peabody review on bank stocks as shown in the report are presented below:

"Bank earnings should show a high degree of stability during the present transition period of 'neither real peace nor real war.'

"Gross income is likely to hold near the post-Korea level, as expanding investment income should largely offset any decrease in loan interest. Expenses and taxes should be reasonably stable. Net operating earnings in the first quarter were above those for the same period last year and earnings for the full year should be close to the record total of 1953.

"Present dividend rates generally appear secure. In spite of numerous increases in disbursements last year, current dividend rates represents only 57% of 1953 earnings.

"Yields are good. Continuity of income has been outstanding. Consecutive dividends have been paid on the average for almost three-quarters of a century by the banks under review.

"The spread between the yields for bank shares and for high-grade corporate bonds has widened in the last year. Furthermore, corporations receiving dividends from bank stocks (or other common or preferred stocks) are allowed an 85% dividends received credit. Corporate bond interest is fully taxable.

"Since Korea, earnings and dividends of large city bank shares have risen considerably more than market prices. The stocks are selling at a comparatively low ratio to the Dow Jones Industrial Average.

"Although bank stocks have lagged the industrials, there appears to be an expanding demand for such shares by fiduciaries and other conservative investors. Current yields on bank shares should continue to attract the large institutional type of holder.

"Book values are stated on an ultra-conservative basis. Substantial reserves have been established which are not included in reported book values.

"Bank equities have shown many of the characteristics of a so-called 'cost-of-living' bond during the past 15 years. The dividends and the gain in stockholders' equity from bank stocks have more than offset the increase in the cost of living.

"Bank stocks appear to have considerable attraction for conservative investors interested in good yields and possibilities of ultimate price appreciation."

One of the interesting facts emphasized in the report is the position of institutional investors and the tax position of dividends on bank shares. Increasingly in recent years, the various fiduciary institutions have been given permission to invest in certain equities including bank shares.

Where such institutions are subject to Federal income taxes, the advantage of owning bank stocks is very real. In the example presented in the Kidder, Peabody report, a comparison is made between a high-grade bond yielding 3.25%, as against the 4.40% return available on certain quality bank stocks. The net yield after taxes on the two investments would be 1.56% for the bond, as against 4.06% for the bank stock.

In the search for yields currently going on among institutional investors, it would seem that this factor will become a more important consideration in the market for bank shares as time passes.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The announcement by the Treasury that $3,500,000,000 of 1% tax anticipation certificates due March March 22, 1955, were to be used to take care of the initial part of the deficit, was in line with expectations. The total debt of the Government will still be with the present limit after this financing.

On the other hand, the statement that the Aug. 15 and Sept. 15 maturity of certificates will be refunded with either another certificate, a long note or a short bond, did embody a mild element of the unexpected. The fact that the exact terms of the offering will not be made known until near the end of the month tends to keep intact the Treasury's game of surprise. It has been rumored in the street that there has been considerable of a division of opinion as to how the refunding of the maturing certificates should be handled. This may be the reason for not making the terms of the refunding offer available at the time of the new money raising announcement.

Market Pressure Continues

The pressure of funds seeking investment is having its effect upon the whole Government list. The demand is still very sizable for the shorter-term issues, and the higher yield which is being obtained in certain of these securities is not having exactly an adverse influence upon the buyers of the nearer-term. There is evidently no let-up in the switches which are being made into the most distant Treasury obligations, with the shorter-term issues still supplying the bulk of the funds that are being used in obtaining the higher income securities.

Pension funds, both the private and public ones, have been very important in the longer Treasury market with the 2½% bonds getting what is termed substantial buying. The commercial banks, according to reports, have also been expanding their purchases in the 2½% bonds, with the 1962-67's up to and including the 1965-70's getting more attention. Despite the buying which has been going on in the other eligible bonds, the September 2½s of 1967-72 is still the favorite obligation of the commercial banks. It is indicated that the deposit institutions are attracted to the longest eligible bond because the tax-tree yield is favorable and the premium is low.

2¼s of 1959-62 Seen Attractive

From some of the money market specialists comes the opinion that the 2¼s due 1959-62 are attractive at current levels, not only for yield but also because of the prospects of price appreciation. Accordingly, it is reported that quite a few issues in the intermediate term bracket are being sold and the proceeds are being used to buy the 1959-62 issues. It is indicated that the 1961 maturities are among the securities that are being sold in order to make way for the 1959-62's.

There are likewise reports that a considerable number of switches are being made from direct Treasury obligations into the so-called agency issues, with income being helped by this operation. It is indicated that the bulk of these trades are being done with the out-of-town banks.

Savings banks have been on the sell side in a modest way because of the attractiveness of mortgages and preferred stocks. However, it is reported that the issues which have been sold by the savings institutions have been principally in the intermediate term range and by selling these issues, profits have been nailed down.

Fire insurance and casualty companies have also been in the market in a fairly important way, mainly on the buy side. It is reported that the middle-term obligations are being let out and more than the amount of these sales being put to work in the longer-term securities.

Partial Exempts Active

The partially tax-exempt obligations have been the center of what is being characterized as "important switches," because these bonds have been moved out of the portfolios of insurance companies into positions of commercial banks, particularly those that are dealer banks. It is reported that the 2¾% due 1960-65 has been the issue of importance in this operation.

Although there is no question about the attractiveness of the longer-term Treasury obligations there have been many instances in which these bonds have been sold in order to make commitments in corporate and tax-free securities. It is reported that charitable organizations have been sellers of the most distant Government maturities in order to make way for corporate bonds. Also, these same institutions have made commitments in revenue bonds with the proceeds from the sales of long Treasuries.

NSTA Notes

SECURITY TRADERS CLUB OF ST. LOUIS

The Security Traders Club of St. Louis will hold their Annual Summer Outing on July 29 at "Leisure-Lea."

H. J. Cooney Offers Uranium Mines Shs.

H. J. Cooney & Co., New York City, is offering an issue of 1,495,000 shares of common stock (par one cent) of Front Range Uranium Mines, Inc. at 20 cents per share.

The net proceeds are to be used to pay for exploration and development costs, for repayment of loans and for general corporate purposes.

The company plans to explore and develop leased properties situated in the Front Range District of Colorado, known as the Pewabic properties.

Tellier & Co. Offers Uranium Shares

Tellier & Co., of Jersey City, N. J., are offering 2,000,000 shares of common stock of Cherokee Uranium Mining Corp. and a like number of shares of Mesa Uranium Corp., both priced at 15 cents per share. The shares are offered as a speculation.

The net proceeds to both companies are to be used to pay for exploration and development costs and used for general corporate purposes.

With Eastman, Dillon

PHILADELPHIA, Pa. — Eastman, Dillon & Co., 225 South 15th Street, members of the New York Stock Exchange, announce that John H. Converse is now associated with them as a registered representative in their Philadelphia office.

Ned Silverman Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ned Silverman is engaging in a securities business from offices at 1125 South Wetherly Drive.

With Avery Eppler

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Howard F. Sillick has become connected with Avery L. Eppler Company, 1839 Broadway. He was formerly with Supple, Griswold & Co. and Stewart Scanlon & Co.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Jas. H. Cochran is now with Hamilton Management Corporation, 445 Grant Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acme Uranium Mines, Inc., Denver, Colo.
June 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—425 Ernest & Cranmer Bldg., Denver 2, Colo. **Underwriter**—Carroll, Kirchner & Jacquith, Inc., Denver, Colo.

Alpine Uranium Corp., Salt Lake City, Utah
June 28 (letter of notification) 7,500,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—512 Zion's Savings Bank Bldg., Salt Lake City, Utah. **Underwriter**—Uranium Mart, Inc., 146 South Main St., Salt Lake City, Utah.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

Apollo Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 12,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining activities. **Office**—602 First National Bank Building, Denver, Colo. **Underwriters**—M. A. Cleek and J. Russell Tindell, both of Spokane, Wash.

Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares being offered for subscription to holders of outstanding preferred stock of record July 7 on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis; rights to expire on Sept. 24. **Price**—For preferred, $48 per share; and for common $12.50 per share. **Proceeds**—To reduce bank loans. **Underwriter**—None.

★ **Arizona Public Service Co.**
July 12 (letter of notification) an undetermined number of shares of common stock to be offered under employees' stock purchase plan. **Price**—At market. **Proceeds**—To reimburse company for purchases of common stock. **Office**—501 Third Ave., Phoenix, Ariz. **Underwriter**—None.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

● **Automatic Firing Corp., St. Louis, Mo. (7/27)**
June 30 (letter of notification) $300,000 of seven-year convertible debentures due Aug. 1, 1961 (convertible at rate of one share of $1 par class A common stock for each $2 principal amount of debentures). **Price**—At par (in units of $1,000 each). **Proceeds**—For working capital. **Underwriter**—White & Co., St. Louis, Mo. **Dealer Relations Representative**—Geo. A. Searight, 115 Broadway, New York, N. Y. (telephone BArclay 7-8448.)

Banner Mining Co., Lordsburg, N. M.
June 30 (letter of notification) 25,000 shares of common stock (par $1) to be offered first to stockholders. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Basic Atomics, Inc., New York
June 28 (letter of notification) 191,700 shares of common stock (par 10 cents), of which 170,000 shares are for the account of the company and 21,700 shares for the account of selling stockholders. **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Office**—111 Broadway, New York, N. Y. **Underwriter**—Albert Kravitz Co., Washington, D. C.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office**—Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ **Beach Harbor Publishing Corp.**
July 19 (letter of notification) 75,000 shares of preferred stock (no par) and 100,000 shares of common stock (no par). **Price**—Of preferred, $1 per share; of common, 25 cents per share. **Proceeds**—For working capital. **Office**—Far Rockaway, N. Y. **Underwriter**—None.

Boston Edison Co. (7/26)
June 29 filed $18,000,000 first mortgage bonds, series E, due 1984. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EDT) on July 26 at 182 Tremont St., Boston, Mass.

NEW ISSUE CALENDAR

July 22 (Thursday)
New York, New Haven & Hartford RR. .... Equip. Trust Ctfs.
(Bids noon EDT) $6,180,000

July 26 (Monday)
Boston Edison Co. .... Bonds
(Bids 11 a.m. EDT) $18,000,000
Republic Uranium Corp. .... Common
(Teden & Co., Inc.) $297,500
Sulphur Exploration Co. .... Common
(L. D. Sherman & Co.) $300,000
United Public Markets, Inc. .... Debentures
(G. H. Walker & Co.) $300,000

July 27 (Tuesday)
Automatic Firing Corp. .... Debentures
(White & Co.) $300,000
Buffalo Forge Co. .... Common
(Hornblower & Weeks) 85,000 shares
Consolidated Natural Gas Co. .... Debentures
(Bids 11:30 a.m. EDT) $25,000,000
Marion River Uranium Co. .... Common
(Gearhart & Otis, Inc. and Crerie & Co.) $300,000
Pinellas Industries, Inc. ...... Debentures & Common
(Eisele & King, Libaire, Stout & Co.) $299,360

July 28 (Wednesday)
Industrial Hardware Mfg. Co. .... Common
(Milton D. Blauner & Co., Inc.) 185,000 shares

July 29 (Thursday)
Illinois Central RR. .... Bonds
(Bids noon EDT) $25,000,000
King Copper Mining Corp. .... Common
(D. Gleich Co.) $147,500
United States Steel Corp. .... Debentures
(Morgan Stanley & Co.) $225,000,000

August 2 (Monday)
Midland Commercial Corp. ...... Preferred & Common
(A. J. Grayson) $300,000
Northern Illinois Gas Co. .... Common
(Bids 11 a.m. CDT) between 63,489 and 381,542 shares
Trans-World Uranium Corp. .... Common
(Charles Weinstein & Co.) $293,750

August 3 (Tuesday)
Central of Georgia Ry. .... Equip. Trust Ctfs.
(Bids noon EST) $2,655,000
Mountain States Tel. & Tel. Co. .... Debentures
(Bids to be invited) $20,000,000

August 9 (Monday)
Pacific Power & Light Co. .... Bonds
(Bids noon EDT) $30,000,000
United Funds Canada Ltd. .... Common
(Glore, Forgan & Co. and Francis I. duPont & Co.) $18,750,000

August 10 (Tuesday)
Harrisburg Steel Co. .... Common
(Reynolds & Co.) about 200,000 shares

August 12 (Thursday)
Canada General Fund (1954) Limited ...... Common
(Bache & Co. and Paine, Webber, Jackson & Curtis) between 2,500,000 to 3,000,000 shares

August 24 (Tuesday)
Arkansas Power & Light Co. .... Bonds
(Bids to be invited) $7,500,000
Niagara Mohawk Power Corp. .... Bonds
(Bids to be invited) $25,000,000

August 25 (Wednesday)
Southern California Edison Co. .... Bonds
(Bids to be invited) $30,000,000

September 8 (Wednesday)
Western Maryland Ry. .... Bonds
(Bids to be invited) $16,000,000

September 14 (Tuesday)
Oklahoma Gas & Electric Co. .... Preferred
(Bids may be invited) $7,500,000

September 28 (Tuesday)
New England Electric System .... Common
(Offering to stockholders—bids to be invited)

September 30 (Thursday)
Louisville & Nashville RR. .... Bonds
(Bids to be invited) $30,350,000

October 5 (Tuesday)
Indiana & Michigan Electric Co. .... Bonds
(Bids 11 a.m. EDT) $16,500,000
Indiana & Michigan Electric Co. .... Preferred
(Bids 11 a.m. EDT) $4,000,000

★ **Bradley (George L.) Associates, Inc.**
July 20 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—172 South Broadway, White Plains, N. Y. **Business**—Entertainment and related fields. **Underwriter**—None.

Brilhart Plastics Corp.
July 1 (letter of notification) 48,660 shares of common stock (par 25 cents) to be offered for subscription by common stockholders of record July 1 on the basis of one new share for each three shares held; rights to expire on July 26. **Price**—$1.75 per share. **Proceeds**—To repurchase 39,500 shares of its common stock from General Acceptance Corp. and for working capital. **Office**—Old Country Road, Mineola, L. I., N. Y. **Underwriter**—None.

Buffalo Forge Co., Buffalo, N. Y. (7/27)
July 7 filed 85,000 shares of common stock (par $1). **Price**—To be related to current market price at time of offering. **Proceeds**—To 11 selling stockholders. **Underwriter**—Hornblower & Weeks, New York.

Byrd Oil Corp., Dallas, Texas
June 15 filed 260,000 shares of 6% cumulative convertible class A common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each 2.5 shares held (with a 14-day standby). **Price**—$8.10 per share to stockholders, $9 to public. **Proceeds**—For payment of notes and accounts payable and for working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Texas, and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books). **Offering**—Expected in August.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem two issues of $2.50 preferred stock (par $50), totaling 98,800 shares, and, together with proceeds from proposed issue of $8,000,000 of new first mortgage bonds, to redeem $8,000,000 3⅞% bonds presently outstanding. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

★ **California Test Bureau, Los Angeles, Calif.**
July 2 (letter of notification) 1,000 shares of class B common stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—5916 Hollywood Blvd., Los Angeles 28, Calif. **Underwriter**—None.

★ **Carpenter-Morrison Uranium & Oil Co., Inc.**
July 8 (letter of notification) 250,000 shares of common stock. **Price**—At par (10 cents per share.) **Proceeds**—For mining expenses. **Underwriter**—None.

★ **Central Telephone Co., Lincoln, Neb.**
July 19 filed $1,500,000 of convertible subordinated debentures due May 1, 1969. **Price**—At 100% of principal amount. **Proceeds**—For construction expenditures, for advances to, and investment in stocks of subsidiaries, and for general corporate purposes. **Underwriters**—Paine, Webber, Jackson & Curtis, of New York and Boston; and Loewi & Co., Milwaukee, Wis.

Century Acceptance Corp.
May 27 (letter of notification) 58,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—1334 Oak Street, Kansas City 6, Mo. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected in August.

Cherokee Industries, Inc., Oklahoma City, Okla.
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

Cherokee Utah Uranium Corp.
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chief Consolidated Mining Co.
June 24 filed 1,252,408 shares of preferred stock (par 50 cents) and 626,204 preferred stock purchase warrants to be offered for subscription by common stockholders on the basis of one share of preferred and an option to purchase one additional share of preferred stock. **Price**—55 cents per unit. **Proceeds**—For development program and working capital and general corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None.

★ **Colorado Reduction Corp., Columbus, Ohio**
July 8 (letter of notification) 1,800 shares of class B common stock. **Price**—$25 per share. **Proceeds**—For equipment, and general corporate purposes. **Office**—85 N. High St., Columbus, Ohio. **Underwriter**—None.

Comanche Uranium Co., Inc.
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Four cents per share. **Proceeds**—For mining expenses. **Office**—628 S. State St., Salt Lake City, Utah. **Underwriter**—Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Commercial Uranium Mines, Inc., Denver, Colo.
June 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration. **Office**—704 Ernest & Cranmer Bldg., Denver, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

★ Commonwealth Fund, Boston, Mass.
July 15 filed 3,500 Plan A units and 1,150 Plan B units.

★ Consolidated Development Co.
July 14 (letter of notification) 16,000 shares of non-voting common stock (no par) and 4,200 shares of voting common stock (no par). **Price**—$1 per share. **Proceeds**—For purchase of building sites, construction and general corporate purposes. **Office**—2020 North Ave., Grand Junction, Colo. **Underwriter**—None.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Natural Gas Co. (7/27)
June 25 filed $25,000,000 of 24-year debentures due 1978. **Proceeds**—To redeem on Sept. 1, 1954, a like amount of $3\frac{7}{8}\%$ debentures due 1978. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on July 27 at 30 Rockefeller Plaza, New York 20, N. Y.

★ Constant Minerals Separation Process, Inc.
July 1 (letter of notification) 200,000 shares of non-voting capital stock. **Price**—20 cents per share. **Proceeds**—To Maurice Constant and Harry C. Hewell. **Office**—530 California Ave., Reno, Nev. **Underwriter**—None.

★ Crawford Furniture, Inc.
July 13 (letter of notification) $200,000 of 6% 10-year coupon debenture bonds due July 31, 1964. **Price**—100% of principal amount. **Proceeds** — For machinery and equipment. **Office**—New Bethlehem, Pa. **Underwriter**—None.

Crown Uranium Co., Casper, Wyo.
June 11 (letter of notification) 2,400,000 shares of common stock (par 5 cents). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Forbes & Co., First National Bank Bldg., Denver 2, Colo.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

★ Denver Northern Oil Co., Denver, Colo.
July 7 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—300 Kittredge Bldg., Denver, Colo. **Underwriter**—H. Carl Aiken, Denver, Colo.

★ Detroit Edison Co., Detroit, Mich.
July 19 filed $5,000,000 of participations in Employee Stock Purchase Plan of Aug. 10, 1954, and 152,000 shares of capital stock (par $20) which may be purchased under the plan.

★ Doeskin Products, Inc., New York
July 16 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees under a stock purchase plan. **Price**—$10.50 per share. **Proceeds**—For expansion and working capital. **Office**—41 East 42nd St., New York 17, N. Y. **Underwriter**—None.

● Erie Reinforced Plastic Pipe Corp.
July 7 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—To repay advances from Erie Forge & Steel Corp. ($65,000) and for general corporate purposes. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York. **Offering** — Expected today (July 22).

★ Eureka Uranium Corp., Cheyenne, Wyo.
July 12 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office**—2215 Duff Ave., Cheyenne, Wyo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

General Waterworks Corp.
June 30 (letter of notification) 29,600 shares of common stock (par $1). **Price**—$10.12½ per share. **Proceeds**—For investments in or advances to certain of its subsidiaries. **Office** — Philadelphia, Pa. **Underwriters** — Townsend, Dabney & Tyson; Schirmer, Atherton & Co.; F. L. Putnam & Co., Inc.; Shea & Co., Inc.; and Hodgdon & Co. (all of Boston, Mass.); The State Investment Co. (Portland, Me.); and McDougal & Condon, Inc. (Chicago, Ill.).

Gray Manufacturing Co., Hartford, Conn.
June 10 filed 58,119 shares of common stock (par $5) to be offered for subscription by common 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.

Green River Oil & Uranium Co.
June 11 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 235 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

● Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. **Meeting**—Stockholders will vote Aug. 17 on new issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of $3\frac{3}{8}\%$ first mortgage bonds due 1981 and $10,000,000 of $3\frac{3}{8}\%$ first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ Hagerstown (Md.) Gas Co.
July 12 (letter of notification) $100,000 of 5% convertible notes to be offered first to common stockholders and then to public. **Price**—At par. **Proceeds**—To pay current accounts and for working capital. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Harrisburg Steel Corp., Harrisburg, Pa. (8/10)
July 14 filed 186,683 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—Reynolds & Co. New York.

★ Hart & Crouse Corp., Utica, N. Y.
July 14 (letter of notification) $250,000 of 20-year first mortgage 6% bonds due Aug. 1, 1974. **Price**—100% and accrued interest. **Proceeds** — To redeem presently outstanding bonds ($71,335); to repay FDIC notes ($25,000) and for working capital. **Office**—301 Turner St., Utica, N. Y. **Underwriters**—Mohawk Valley Investing Co., Inc., N. Y. and Security and Bond Co., Lexington, Ky.

★ Haydock Fund, Inc., Cincinnati, O.
July 14 filed 25,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Hercules Cement Corp.
June 22 filed 40,555 shares of common stock (par $10) being offered for subscription by common stockholders of record June 15, 1954, on the basis of one new share for each four shares held; rights to expire on Aug. 4. **Price** — $25 per share. **Proceeds** — For expansion and modernization. **Underwriters**—Stroud & Co., Inc., Reynolds & Co., and Newburger & Co., all of Philadelphia, Pa.; and Warren W. York & Co., Allentown, Pa.

★ Historic Georgetown, Inc., Washington, D. C.
June 28 (letter of notification) 20,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For restoration and remodeling of properties. **Office**—1700 Eye St., N. W., Washington, D. C. **Underwriter**—None.

★ Imperial Uranium Co., Salt Lake City, Utah
July 13 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office** — 623 Judge Bldg., Salt Lake City, Utah. **Underwriter** — J. Arthur Pett, 345 State St., Salt Lake City, Utah.

● Industrial Hardware Mfg. Co., N. Y. (7/28)
June 14 filed 185,000 shares of common stock (par 50 cents), of which 106,602 shares are to be offered for account of company and 78,398 shares for account of Louis Offerman, Vice-President. **Price**—$3 per share. **Proceeds**—To repay bank loans and pay taxes, and for working caiptal. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Inland Uranium, Inc.
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—240 S. 2nd St., East, Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

Interstate Uranium, Inc., Salt Lake City, Utah
June 14 (letter of notification) 10,000,000 shares of common stock (par 1 cent). **Price** — 3 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

★ Jargray Co., Denver, Colo.
July 12 (letter of notification) 5,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For manufacture and sale of all types of merchandise. **Office**—1620 Grant St., Denver, Colo. **Underwriter**—None.

● King Copper Mining Corp. (7/29)
June 2 (filed under Regulation "D") 295,000 shares of capital stock (par $1). **Price**—50 cents per share. **Proceeds**—For expansion, diamond drilling, working capital and general corporate purposes. **Office**—1519 Pine Ave., West, Montreal, Canada. **Underwriter**—D. Gleich Co., New York.

Las Vegas Continental Hotel, Inc.
May 17 filed 500,000 shares of preferred capital stock (par $9.90) and 500,000 shares of common capital stock (no par—10¢ stated value) to be offered in units of one preferred and one common share. **Price**—$10 per unit. **Proceeds**—To build and operate a luxury hotel and for working capital. **Office**—Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

★ Little Queen Mines, Inc., Atlanta, Idaho
July 12 (letter of notification) 6,500,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—None, offering to be made through officers and directors.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriters**—French & Co., Houston, Tex., and Peter Morgan & Co., New York.

● Marion River Uranium Co. (7/27)
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriters**—Gearhart & Otis, Inc., New York; and Crerie & Co., Houston, Tex.

★ Master Television, Inc. (N. Y.)
July 14 (letter of notification) 1,000 shares of class A stock (par $100) and $199,000 of 10-year 6% debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—853 Seventh Ave., New York City. **Underwriter**—None.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

Merchants Acceptance Corp., Worcester, Mass.
June 28 (letter of notification) 8,474 shares of class A common stock (no par) to be offered in exchange for 11,512 shares of common stock of Guardian Credit Corp. on the basis of 0.73 share of Merchants Acceptance stock for each Guardian share. Offer expires July 30, 1954. **Price**—$18 per share. **Underwriter**—G. H. Walker & Co., Providence, R. I.

● Midland Commercial Corp. (8/2)
July 6 (letter of notification) 3,000 shares of $6 cumulative convertible preferred stock (par $20) and 15,000 shares of common stock (par 10 cents) to be offered in units of one preferred and five common shares. **Price**—$100 per unit. **Proceeds**—For working capital. **Office**—82 Beaver St., New York, N. Y. **Underwriter** — A. J. Grayson, New York.

Midland General Hospital, Inc., Bronx, N. Y.
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Missouri Public Service Co.
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

★ Mobile-Home Sites, Inc., Monroe, Mich.
July 9 (letter of notification) 68,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To construct, operate and maintain house trailer parks. **Office**—803 Nadeau Road, Route 5, Monroe, Mich. **Underwriter**—None.

Monarch Uranium Co., Salt Lake City, Utah
June 21 (letter of notification) 2,000,000 shares of capital stock (par four cents). **Price**—Six cents per share. **Proceeds** — For mining expenses. **Office** — 530 Judge Building, Salt Lake City, Utah. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

Continued on page 36

Continued from page 35

★ Mount Peale Uranium Corp., Salt Lake City, Utah
June 29 (letter of notification) 4,999,000 shares of common stock (par three cents). **Price**—Six cents per share. **Proceeds**—For mining expenses. **Office**—343 South State St., Salt Lake City, Utah. **Underwriters**—J. A. Hogle & Co., Harrison S. Brothers & Co., P. G. Christopulos & Co., W. D. Nebeker & Co., Thornton D. Morris & Co., and James E. Reed Co., all of Salt Lake City, Utah.

● Mountain States Telephone & Telegraph Co. (8/3)
July 9 filed $20,000,000 of 35-year debentures due Aug. 1, 1989. **Proceeds**—To repay advances from parent American Telephone & Telegraph Co. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dean Witter & Co. and Drexel & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received on Aug. 3.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ New Jersey Power & Light Co.
July 20 filed $8,700,000 of first mortgage bonds due Aug. 1, 1984. **Proceeds**—$1,585,000 to repay bank loans, $5,500,000 to redeem 4¼% first mortgage bonds now outstanding, and $1,615,000 for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

North Electric Manufacturing Co.
June 16 (letter of notification) 20,322 shares of common stock (par $10), being offered for subscription by common stockholders of record July 1, 1954; rights to expire on Aug. 2, 1954. **Price**—$12 per share. **Proceeds**—To repay loans. **Office**—501 S. Market St., Galion, O. **Underwriter**—None.

★ Northern Illinois Gas Co. (8/2)
July 16 filed a maximum of 381,542 shares of common stock (par $5), the minimum number of shares being 63,489. **Proceeds**—To certain stockholders of Commonwealth Edison Co., in lieu of fractional shares issuable in payment of stock dividend. **Underwriter**—To be determined by competitive bidding. The First Boston Corp. and Glore, Forgan & Co., recently underwrote an issue of 400,000 shares of this company's common stock. **Bids**—To be received by the Continental Illinois National Bank & Trust Co., Chicago, Ill., up to 11 a.m. (CDT) on Aug. 2.

★ Oil Productions, Inc., Charlottesville, Va.
July 7 (letter of notification) $150,000 of registered notes (due $30,000 each Aug. 1, 1959 through 1963) and 150,000 shares of capital stock (par 10 cents) to be offered in units of $125 of notes and 125 shares of stock. **Price**—$250 per unit. **Proceeds**—For investment in producing oil property and for organization and promotion expenses. **Office**—317 East High St., Charlottesville, Va. **Underwriter**—None.

● Pacific Power & Light Co. (8/9)
July 2 filed $30,000,000 first mortgage bonds due Aug. 1, 1984. **Proceeds**—$24,934,542 to be used to refund all outstanding bonds of Mountain States Power Co. (merged with Pacific Power & Light Co.), and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 9 a.m. (PDT) on Aug. 9.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None.

Pacific Western Oil Corp.
June 25 filed 100,000 shares of common stock (par $4). **Price**—At market. Shares to be offered from time to time on the New York Stock Exchange, and may be offered to specific persons, firms or corporations in off-the-floor sales. **Proceeds**—To J. Paul Getty, President. **Underwriter**—None.

Petaca Mining Corp., Santa Fe, N. Mex.
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● Pinellas Industries, Inc. (7/27)
June 15 (letter of notification) $250,000 of 8% convertible debentures due 1964, and 9,975 shares of class A common stock (par $1). **Price**—Of debentures, at par; and of stock, $4.75 per share. **Proceeds**—To construct plant and for working capital. **Office**—34th Street and 22nd Avenue, North, Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Pubco Development, Inc., Albuquerque, N. M.
June 16 filed 908,967 shares of common stock (par $1) to be issued and sold at $1 per share upon exercise of outstanding subscription warrants (dates advanced to period July 15 through Oct. 15). **Proceeds**—For general corporate purposes. **Underwriter**—None. Statement effective July 6.

Republic Uranium Corp., Moab, Utah (7/26)
June 28 (letter of notification) 1,190,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Teden & Co., Inc., New York.

★ Riverside Plastics Corp., Hicksville, N. Y.
July 16 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For machinery and equipment and working capital. **Underwriter**—G. H. Walker & Co., Providence, R. I.

★ Rockhill Productions, Inc.
July 15 (letter of notification) warrants to purchase 23,029 shares of common stock. **Price** — $2 per share. **Proceeds**—To two selling stockholders. **Underwriters**—Mortimer B. Burnside & Co., Inc. and Batkin & Co., both of New York.

Royal Uranium Corp., Salt Lake City, Utah
June 14 (letter of notification) 2,500,000 shares of capital stock (par five cents). **Price**—Six cents per share. **Proceeds**—For mining expenses. **Office** — Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Whitney Investment Co., Salt Lake City, Utah.

★ Savage Industries, Inc., Phoenix, Ariz.
July 8 (letter of notification) 4,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—306 Heard Bldg., Phoenix, Ariz. **Underwriter** — Pacific Coast Securities Co., San Francisco, Calif.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ Southwestern Hotel Development Corp., Las Vegas, Nev.
July 2 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — For constructing and operating a resort-type hotel. **Underwriter**—None.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

★ State Bond & Mortgage Co., New Ulm, Minn.
July 19 filed $5,000,000 of Accumulative Certificates, Series 17, and $500,000 of Investment Certificates, Series 5.

★ Stavid Engineering, Inc. (N. J.)
July 19 (letter of notification) 4,324 shares of common stock (no par) and 202 shares of preferred stock (par $100). **Price**—For common, $25 per share; for preferred, at par. **Proceeds** — For working capital. **Office** — 312 Park Ave., Plainfield, N. J. **Underwriter**—None.

Sulphur Exploration Co., Houston, Texas (7/26)
July 6 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1416 Melrose Bldg., Houston, Tex. **Underwriter**—L. D. Sherman & Co., New York, N. Y.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

★ Supermarket Merchandisers of America, Inc.
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Texas International Sulphur Co., Houston, Texas
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers & Co., New York, on a "best efforts" basis.

★ Titan Manganese Mining Corp.
July 12 (letter of notification) 299,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—A. L. Albee & Co., Boston, Mass.

★ Trans-World Uranium Corp. (8/2)
July 17 (letter of notification) 1,175,000 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds** — For mining expenses. **Office** — 402 Boston Bldg., Salt Lake City, Utah. **Underwriter**—Charles Weinstein & Co., New York.

Trican Petro-Chemical Corp., Montreal, Canada.
April 30 filed 500,000 shares of common stock (par $1). **Price** — To be related to the market price at time of offering. **Proceeds**—For development costs and general corporate purposes. **Underwriter** — To be named by amendment.

Trip-Charge, Inc., Pittsburgh, Pa.
July 8 (letter of notification) $150,000 of 6% convertible sinking fund debentures dated July 1, 1954 and due June 30, 1969, and 10,000 shares of common stock (par $1). **Price**—Of debentures, par ($30 each) and accrued dividends; and of stock, $3 per share. **Proceeds**—For working capital. **Underwriters**—Arthurs, Lestrange & Co. and McKelvy & Co., both of Pittsburgh, Pa.

● Ultrasonic Corp., Cambridge, Mass.
June 28 filed 200,000 shares of common stock (par $5). **Price**—$12.75 per share. **Proceeds**—For working capital. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Offering**—Expected today (July 22).

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

United Benefit Fire Insurance Co., Omaha, Neb.
June 14 (letter of notification) 25,000 shares of common stock to be offered first to stockholders. **Price**—At par ($10 per share). **Proceeds**—To increase surplus. **Office**—2565 St. Mary's Ave., Omaha, Neb. **Underwriter**—Stewart, Smith & Co., Inc., New York, N. Y.

★ United Public Markets, Inc. (7/26)
July 9 (letter of notification) $300,000 of 6% sinking fund subordinated debentures, series B, due July 1, 1969. **Price**—At par. **Proceeds**—For general corporate purposes. **Office**—60 Dexter St., Pawtucket, R. I. **Underwriter**—G. H. Walker & Co., Providence, R. I.

★ United States Air Conditioning Corp.
July 19 filed 500,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters** — Mortimer B. Burnside & Co., Inc. and George F. Breen of New York, who agreed to purchase 100,000 shares, with an option to buy the other 400,000 shares.

● United States Steel Corp. (7/29)
July 12 filed $300,000,000 serial debentures maturing from Aug. 1, 1955 to Aug. 1, 1964, inclusive, of which $225,000,000 are to be offered to the public and $75,000,000 are to be sold on or before Aug. 4, 1954 to United States Steel and Carnegie Pension Fund, trustee of a pension trust. **Price**—100% of principal amount. **Proceeds** — For property additions and replacements and for working capital. **Underwriter**—Morgan Stanley & Co., New York.

★ Upper Third Street Development Corp.
July 12 (letter of notification) 8,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—To purchase or lease property for parking facilities. **Underwriter**—None.

Utah Moab Uranium Corp., Provo, Utah
June 28 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—47 N. University Ave., Provo, Utah. **Underwriter**—A. J. Shapiro, Securities Bldg., Seattle, Wash.

Utah National Uranium Mining Corp.
May 27 (letter of notification) 1,199,600 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 402 Boston Building, Salt Lake City, Utah. **Underwriters**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo., and Cromer Brokerage Co., Salt Lake City, Utah.

Voss Oil Co., Newcastle, Wyo.
July 1 filed 336,800 shares of common stock (par $1). **Price**—To be related to market. **Proceeds**—To 40 selling stockholders. **Underwriters**—John R. Lewis, Inc., Seattle, Wash.; and Coburn & Middlebrook, Inc. and Glidden, Morris & Co., both of New York. The registration statement also covers 2,413,200 shares of common stock which may be offered from time to time (but do definite plans are given).

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 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 sales 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, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the

United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ **White Eagle Uranium Co.**
July 12 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—351 S. State St., Salt Lake City, Utah. **Underwriter**—Arlin Davidson, 39 Exchange Place, Salt Lake City, Utah.

Whitelock Uranium Co., Price, Utah
June 24 (letter of notification) 4,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For development expenses. **Office**—17 South Carbon Ave., Price, Utah. **Underwriter** — Havenor-Cayias, Inc., Salt Lake City, Utah.

Williston Basin Oil Ventures, Inc.
May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration costs. **Office** — 420 Fidelity Bank Bldg., Oklahoma City, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ **Yankee Uranium Co., Salt Lake City, Utah**
July 14 (letter of notification) 12,400,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For mining expenses. **Office** — 721 Judge Bldg., Salt Lake City, Utah. **Underwriter** — James D. Reed Co., Salt Lake City, Utah.

★ **Zenith Uranium & Mining Corp.**
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

American Telephone & Telegraph Co.
June 30 it was reported the company is planning a huge issue of straight debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co. (8/24)
Feb. 8 it was reported company plans to sell an issue of about $7,500,000 first mortgage bonds due 1984. **Proceeds**—To redeem $4,900,000 of outstanding bonds and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected about Aug. 24.

★ **Canada General Fund (1954) Limited (8/12-16)**
July 21 it was announced this closed-end Fund is being formed in Canada to initially offer 2,500,000 to 3,000,000 shares of capital stock to non-residents of Canada. **Price**—$10 per share. **Proceeds** — For investment. **Underwriters**—Bache & Co. and Paine, Webber, Jackson & Curtis (latter handling books). **Sponsors**—Vance, Sanders & Co., Boston, Mass. **Registration**—Expected July 23.

• **Central of Georgia Ry. (8/3)**
Bids will be received by the company at the office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York, up to noon (EST) on Aug. 3 for the purchase from it of $2,655,000 equipment trust certificates, series Z, to be dated Aug. 1, 1954 and to mature annually to and including Aug. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

City Title Insurance Co., N. Y. C.
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., Kingston, N. Y.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced company plans to issue and sell later this year $40,000,000 additional senior debentures. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Cott Beverage Corp.
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York.

Florida Power Corp.
March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably $10,000,000 of bonds. **Proceeds** — For new construction. **Underwriters** — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

Food Fair Stores, Inc.
June 18 it was announced stockholders will vote Aug. 24 on increasing the authorized indebtedness from $25,000,000 to $35,000,000. In February, 1953, a $12,500,000 4% debenture issue was sold through Eastman, Dillon & Co., New York. **Proceeds** — To refinance $12,500,000 outstanding 4% sinking fund debentures due Feb. 1, 1973, and for expansion.

General Beverage Canning Co. of Florida
June 15 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—$1 per share. **Underwriters** — Roman and Johnson, Fort Lauderdale, Fla., and possibly Aetna Securities Corp., New York.

General Beverage Canning Co. of Tennessee
June 15 it was reported company plans to sell around 300,000 to 400,000 shares of common stock. **Price**—$1 per share. **Underwriter** — Elder & Co., Chattanooga, Tenn.

General Telephone Co. of Upstate New York
July 2 it was reported company plans to issue and sell 50,000 shares of 5% cumulative preferred stock (par $25). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Green River Steel Corp.
June 9 it was reported company is planning to issue and sell $2,000,000 of 15-year first mortgage convertible bonds. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Hudson Pulp & Paper Co.
June 28 it was reported company may be considering some new financing. **Underwriter**—Lee Higginson Corp., New York.

Illinois Central RR. (7/29)
July 7 it was announced company plans to issue and sell $25,000,000 of Consolidated mortgage bonds, series G, due Aug. 1, 1980. **Proceeds**—To redeem a like amount of series D Consolidated 4½s due 1982 now held by a group of insurance companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—To be received up to noon (EDT) on July 29.

Indiana & Michigan Electric Co. (10/5)
July 8 it was announced company plans to sell $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp. **Registration** — Planned for Sept. 3. **Bids**—Tetnatively expected to be received up to 11 a.m. (EDT) on Oct. 5

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc. Equitable Securities Corp. **Meeting**—Stockholders on April 27 arpproved new financing.

Kansas Power & Light Co.
May 4, D. E. Ackers, President, announced that the company plans to sell approximately $10,000,000 of bonds later this year. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

• **Louisville & Nashville RR. (9/30)**
July 7 it was reported that the company may issue and sell late in 1954 $30,350,000 of new first and refunding mortgage bonds due 2003. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected Sept. 30.

McBride Oil & Gas Corp.
June 23 it was announced 1,500,000 shares of capital stock will be publicly offered this month. **Price**—$1 per share. **Proceeds**—To finance improvements. **Underwriter**—Kramer, Makris & Co., Houston, Tex.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Montana-Dakota Utilities Co.
July 8 it was reported that company plans to issue and sell in September $12,000,000 of first mortgage bonds **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

National Fuel Gas Co.
June 25, L. A. Brown, President, announced that the company plans to offer additional common stock to common stockholders this Fall on a 1-for-10 basis (with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter** — None. **Registration**—Expected in October, 1954.

New England Electric System (9/28)
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 28.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York, New Haven & Hartford RR. (7/22)
July 13 it was reported company will offer and sell $6,180,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc. **Bids**—Expected to be received up to noon (EDT) on July 22.

Niagara Mohawk Power Corp. (8/24)
July 12, Earle J. Machold, President, announced that the company plans to issue and sell $25,000,000 of general mortgage bonds due Aug. 1, 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—To be received on Aug. 24.

Northern Pacific Ry.
June 14 it was reported that company may consider a refunding program in September. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.

Northern States Power Co. (Minn.)
July 2 it was announced company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters**—To be determined by competitive biddings. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp.

Continued on page 38

Continued from page 37

(jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

Northern States Power Co. (Minn.)
July 2 it was reported company may refund $20,000,000 of $4.80 cumulative preferred stock (par $100). **Underwriter** — May be determined by competitive bidding. Probable bidders: Smith, Barney & Co.; Lehman Bros. and Riter & Co. (jointly).

● Oklahoma Gas & Electric Co. (9/14)
July 12 it was reported company plans to issue and sell 75,000 shares of preferred stock (par $100). Previous preferred stock financing was done privately through Kuhn, Loeb & Co., New York. If competitive, bidders may include: The First Boston Corp.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Blyth & Co., Inc. (jointly). **Registration**—Expected Aug. 16. **Bids**—Planned for Sept. 14. **Common Stock Financing**—First to stockholders, expected in 1955.

Pan-American Uranium Corp., Salt Lake City
June 30 it was announced that this company presently privately owned and financed, will have authorization for the issuance of 5,000,000 shares of stock. Any public financing may be handled by Kramer, Makris & Co., Houston, Tex.

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

Progas of Canada, Inc.
July 13 it was announced company plans to issue and sell to its stockholders an additional 1,200,000 shares of capital stock on the basis of slightly less than one new share for each four shares held (with an oversubscription privilege). **Price**—At par (25 cents per share). **Proceeds** — For capital improvements and working capital. **Underwriters** — Consolidated Coppermines Corp. and Burnham & Co., New York, have agreed to purchase, in proportions of two-thirds and one-third respectively, any of the unsubscribed shares.

Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers, Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Puget Sound Power & Light Co.
April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Ritter Finance Co.
June 8 it was announced stockholders will on Aug. 17 vote on increasing the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

San Diego Gas & Electric Co.
April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Shasta Water Co.
June 24 it was reported the directors plans to issue and sell some additional common stock (par $2.50), probably between 20,000 and 40,000 shares.

Southern California Edison Co. (8/25)
July 10 it was announced company plans to issue and sell $30,000,000 of first and refunding mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly). **Bids**—Expected to be received on Aug. 25.

★ Southern Colorado Power Co.
July 19 filed an application with the Colorado P. U. Commission for authority to issue and sell 30,000 shares of cumulative preferred stock (par $50), with a dividend rate of not to exceed 4.75%. **Proceeds**—For new construction. **Underwriter**—May be determined by competitive bidding.

Standard Coil Products Co.
June 21 it was reported an issue of about 200,000 shares of common stock will be registered with the SEC. **Price**—To be named later. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co. Inc. and Dempsey & Co., both of Chicago, Ill.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Thompson-Starrett Co., Inc.
July 1 it was announced new Thompson-Starrett Co. (following merger of Roberts & Schaefer Co.) plans to issue and sell at an early date 145,000 shares of convertible preferred stock (par $10). **Proceeds** — To retire bank loans. **Underwriters**—Blair, Rollins & Co. Inc. and Emanuel Deetjen & Co., both of New York.

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

★ United Funds Canada, Ltd., Toronto, Canada (8/9)
July 20 it was reported this closed-end fund has filed with the SEC a registration statement covering a proposed public offering of 1,500,000 shares of common stock (par $1). **Price**—Expected to be $12.50 per share. **Proceeds**—For investment. **Underwriters**—Glore, Forgan & Co. and Francis I. duPont & Co., both of New York.

Valley National Bank of Phoenix (Ariz)
July 8 Bank offered 200,000 additional shares of capital stock (par $5) to stockholders of record July 7 on a 1-for-5 basis; rights to expire on July 23. **Price**—$22 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—William R. Staats & Co. and Blyth & Co., Inc., and associates.

Welex Jet Services, Inc.
June 14 it was reported company may in September announce plans to issue and sell additional common stock to stockholders. **Underwriter**—If underwritten, it may be Laird & Co., Wilmington, Del. Two previous offerings to stockholders were not underwritten.

West Coast Transmission Co.
Oct. 14, 1953, it was announced company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **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 Maryland Ry. (9/8)
July 13 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds due 1979. **Proceeds**—To redeem $12,632,000 of first mortgage bonds, series B, due 1976, and the remainder used to reimburse company for expenditures for capital improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Meeting**—Stockholders will vote Sept. 21 on approving issuance of new bonds. **Bids**—Expected Sept. 8.

Western Massachusetts Electric Co.
July 12 it was reported company is planning sale in September of $6,000,000 debt securities. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—If determined by competitive bidding, probable bidders may be: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., and Blair, Rollins & Co. Inc.

● Western Pacific RR. Co.
June 30 stockholders approved a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.
June 28 it was announced company plans permanent financing. **Proceeds**—To retire bank loans. **Underwriter**—Previous bond financing in 1922 was handled by Dillon, Read & Co. Inc.

Our Reporter's Report

Things were looking up in the new issue market this week, but it was one of those rare occasions which found broad interest in several impending issues tending to dampen, temporarily at least, investor interest in recent emissions.

This, however, was a situation which underwriters and dealers were confident would clear itself with the passing of time. The big point, as far as the banking fraternity is concerned, seemed to be that the market had shaken itself loose from the "dead-center" it had long occupied.

Prospective buyers, it appeared, were more inclined to recognize the facts as far as the outlook for money supply and interest rates is concerned. This revision of views appeared to make current yields a bit more attractive to buyers who had been reluctant recently to consider available returns.

The more amenable attitude toward prevailing yields was indicated by the encouraging response which greeted Consolidated Gas, Electric Light & Power Co. of Baltimore's $40,000,000 of new 35-year 3s, a Triple A rated issue brought out on a 2.97% return basis.

Well over half this issue was reported spoken for soon after the offering terms were set and it was said that only an order or two from buyers for big pension funds appeared needed to assure clearing away of the balance in short order.

GMAC Debentures

Indicating clearly that buyers of new securities are looking for the most liberal yield afforded, the division of interest in the $150,000,000 offering of debentures of General Motors Acceptance Corp., was an interesting operation.

This offering was evenly divided between 10-year and 15-year maturities, and it developed that buyers went pell-mell for the longer maturity while the shorter term issue moved along slowly.

The 10-year issue, with a coupon of 2¾%, was priced at 99 to yield 2.86½%, while the 15-year debentures, carrying a 3% rate, were priced at 100⅜ to yield 2.97%. The latter maturity, bankers pointed out, fitted nicely into many portfolios.

Clearing the Shelves

The more receptive attitude of investors found reflection in the clearing away of a goodly portion of recent issues that had been hanging fire.

It was reported that among the issues that have been cleaned up are Tennesee Gas Transmission; Gulf Power Co.; Washington Gas Light and Consumers Power Co.

This leaves a few other recent offerings still to feel the effect of the change in sentiment. Listed in that category are Columbia Gas System's debentures, Panhandle Eastern Pipe Line Co.'s bonds, along with those of Central Vermont Public Service, Jersey Central Power & Light and Missouri Power & Light.

Next Week "Big Steel"

From now until next Thursday, investment interest will focus pretty much on U. S. Steel Corp.'s projected public offering of $225,000,000 of serial debentures. The overall issue is for $300,000,000 but the balance is slated to go to the Carnegie Pension Fund.

It's a long time, the late '20s, since Big Steel has had any fixed-term debt in the hands of the public. And accordingly the demand for the name is broad, spurred additionally by the type of the financing.

Earlier in the week, on Monday, bankers will be bidding for Boston Edison Co.'s $18,000,000 of new first mortgage bonds. And Illinois Central Railroad on Thursday will market $25,000,000 of new consolidation bonds. Consolidated Natural Gas has $25,000,000 of debentures up for bids on Tuesday while several rail equipments will round out a fairly busy week.

Continued from first page

As We See It

distressingly, modest way tries to eliminate or reduce a few of the obvious inequities in the existing hodgepodge tax structure. Much more time is required to study so complex and comprehensive a measure to assign its exact place in the fiscal history of the country, but it is scarcely open to doubt that the measure is a constructive one in a broadest and deepest sense.

Politics! Politics!

Yet practically all debate on the measure has turned upon whether this or that politically powerful group would have had it take some other form, exclude some of its provisions or include certain other changes which are not now in the bill. First of all, influential leaders of the opposition—some of them ordinarily credited with better understanding of the essentials of such matters, and with a much greater willingness to subordinate partisan politics to real statesmanship—promptly undertook to write into the measure provisions which by further increasing the "progressiveness" of the income tax schedules would, so they hoped, curry favor with the rank and file.

The history of the changes proposed on dividend income is a part of the same political influence. No one doubts for a moment, no one could question, the fact that as the law now stands the recipient of dividend income is taxed twice on the earnings of the corporations of which he is part owner. The argument that this is a matter not to be regarded too seriously since dividend recipients are for the most part wealthy men is, of course, a purely political plea which should demolish the position of those who advance it, since it is these men of means who now are "soaked" unmercifully by "progressive" income tax schedules. Meanwhile, about the only interest in the matter observable among the rank and file of the legislators is confined to worry whether or not some of the provisions contained in the mammoth measure would be offensive to groups of voters here and there.

Turning to the agricultural bill, we find the same sort of forces at work. Here is a measure which goes a little enough of the way toward alleviating a situation which is of necessity a stench in the nostrils of all real statesmen. Yet what do we find taking place in Congress? Groups of men apparently without regard to the welfare of the country as a whole are intently concerned with buying the farmer vote by perpetuating the current system. So far as we can recall we have heard of no serious attempt to defend the present system on any rational ground of national interest. We can scarcely see how any one could even attempt to do any such thing. "Polls" of farmers and other inquiry as to what would produce a maximum farm vote have taken the place of inquiry into the merits or soundness of either the existing situation or any provision in the proposed legislation.

The Embattled Farmer

The farmer has long been *sui generis* in American politics. Favor after favor has been granted him, memory of man runneth not to the contrary. President Roosevelt promptly proceeded to outdo his predecessor in office by asking the farmer himself to determine what the rest of us must do to help him out. President Truman in 1948 conducted a whistle stop campaign telling the farmer that his opponents liked to stick pitch forks into their backs, and promising that he would do wonders for the tillers of the soil. He kept his promise, and now the politicians can not forget that Mr. Truman won the election that year, and are simply afraid to undertake to undo any part of the mischief that Mr. Truman is responsible for.

There are innumerable other instances which might be cited. If there is one piece of proposed legislation which has had almost no opposition, it is the sweeping changes about to be made in what has become known as social security. Such amendments or changes as have been forced or are being forced into the bill as originally proposed have originated in groups believed to have strong political positions. There has been no serious discussion of the basic warrant for the drastic extension of thoroughly unsound compulsions and other provisions of existing arrangements. No one in place of political influence or power, so far as we are able to recall, has even raised such issues. Some tinkering with the measure here and there has been engaged in, and then almost every vote has been counted in favor of it—because the proposal is regarded as good pre-election politics.

It rarely serves any good purpose to ask for better bread than can be made of wheat. It may be that our system of self government is always and incurably afflicted with weaknesses which come glaringly into evidence upon such occasions as this. Other systems of democracy seem to be subject to much the same infirmities, although the degree of their subjection is not always so great. For our part, though, we find it difficult to accept the defeatist attitude that the situation could not be greatly improved by more courage on the part of the professional politician—or at least some of them.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Olon B. Hailey is now affiliated with Reinholdt & Gardner, 400 Locust Stret, members of the New York and Midwest Stock Exchanges.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William E. Cardwell has been added to the staff of First California Company, 300 Montgomery Street.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—George W. Greer, Jr., is now with King Merritt & Co., Inc.

E. L. Zoernig Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert E. Henske has become associated with E. L. Zoernig & Co., Inc., 315 North Seventh Street. He was formerly with A. G. Edwards & Sons.

Joins Don Miller Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Franklin H. Nau has been added to the staff of Don W. Miller & Co., Penobscot Building, members of the Detroit Stock Exchange.

With E. E. Henkle Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Clarence E. De Bord has joined the staff of E. E. Henkle Investment Co., Federal Securities Building.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Gilbert G. Dubray has become affiliated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With J. B. Hanauer Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Geo. Devens has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

With Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Cecil G. Bundy has become connected with Gerald R. Jobin Investments, Ltd., 242 Beach Drive, North.

New du Pont Branch

EL CAJON, Calif.—Francis I. du Pont & Co. has opened a branch office at 142 South Orange Street, under the direction of Geoffrey C. Ettlesen.

With Estabrook Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Mary C. Cormack is now with Estabrook & Co., 1387 Main Street.

Joins McDonald Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harry B. Zornow is now with McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Hanrahan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Kenneth M. Hoover has been added to the staff of Hanrahan & Co., 332 Main Street.

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — L. Allen Hurd, Jr., is now with Goodbody & Co., Penobscot Building.

Now With A. E. Weltner

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Robert W. Alderson has become connected with A. E. Weltner & Co., Inc., 21 West 10th Street.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Gordon C. Winter is now affiliated with Hornblower & Weeks, Union Commerce Building.

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Every session of Congress puts out a little phony legislation. There is always a certain amount of solemnly passed legislation, encased in legal verbiage, which the Hon. members pass with their tongues in cheek, knowing full well it either won't work the way it is announced or intended.

This session, however, seems to old-time observers to have taken the cake for the volume and variety of its phony work.

No. 1 on the list is that well-established legal financial fraud, the Federal Old Age and Survivors' Insurance program. As has been testified to formally before Committees, the legal if inherently fraudulent aspects of that scheme are breath-taking, though small-scale "housing windfall" frauds in the magnitude of hundreds of thousands to millions of cases were provided by law.

For instance, take the minimum contributor under OASI. If he earned only $50 per quarter under covered employment for 18 months before retirement, and thereby himself contributed approximately $6.00 to the OASI "trust fund," he and his wife, under normal life expectancy would draw between $6,800 and $6,900.

Or take the maximum contributor. If a person had been covered by what is now called OASI to the maximum taxable payroll from the very beginning, 1936, to the present, the maximum contribution made by himself from payroll deductions plus the contributions of his employer in a like amount, would aggregate approximately $1,200.

This particular individual, retiring now at age 65, with wife, could be expected, under normal life expectancy to draw an aggregate from OASI of $22,000.

One of the foremost students of this subject in Congress, who may not otherwise be identified, told how two elderly ladies turned on their heels and walked off when he bewailed the fact that the way OASI was set up, some day, maybe a generation hence, it would cause incalculable damage to the country, come pay-up time.

"That taught me something," said this individual. "You can't fight public ignorance, President Eisenhower, and the Democratic party all at once." That was about the philosophy of the informed members of Congress on "Social Security." They went along with the President and forcibly enrolled more new members into the OASI system, thereby postponing the day when benefits will outstrip payments and a financial crisis will arrive.

Merchandise Surpluses

Another major phony of the second session of the 83rd Congress was the proposed farm surplus disposal bill, described on this page a few weeks ago. Congress made provision to sell for foreign currencies and/or give away farm surpluses whilst solemnly maintaining that this would neither pare down normal U. S. commercial exports, interfere with private trade, or in effect "dump" American surpluses on world markets to the consternation of competing countries selling them commercially. The same legislation would also pretend that surplus foods could be given away domestically, also without interfering with private trade.

Aba Da Cabra on Surpluses

Both House and Senate farm price support revision bills contain a gimmick recommended by President Eisenhower, the magic statistical disappearance of a part of the huge surpluses of farm commodities accumulated by the government.

Under the flexible provision, the higher the surpluses, the lower the supports. The bills contain what is elegantly called a "set aside" (meaning statistically it doesn't exist) in the aggregate of $2.5 billion of existing surplus.

This is not the very latest official evaluation, but recently Agriculture Secretary Benson translated the effect of this for the House Committee as providing 85% supports for corn, 83% for peanuts (tobacco automatically stays at 90% under the law) 90% on rice, 86% on cotton. Only wheat would go down to 82½% of "parity" supports under the great victory won by the President when he got in the House "flexible" supports between 82% and 90%.

To Go on Wagon Drink More Whiskey

When President Eisenhower sent his housing message to Congress, he proposed, among other things, to lessen the dependence of the housing industry upon government.

The President, however, backed (1) a greater ratio of loans guaranteed by the government to the value of the property, (2) lower down payments, and (3) longer terms of repayment. The President also insited that used housing be made equal under government-insured and guaranteed mortgage credit with loans on new housing, a thing impossible without government fiat for generally people prefer new houses to old like they do new cars to old.

This would lessen the dependence of the housing industry upon government in the same way that one would go on the wagon by increasing his consumption of whiskey.

Primarily because of the so-called housing scandals, Congress temporized and didn't give Mr. Eisenhower all he wanted in the way of housing aids, although it gave him enough to do credit to a good old-fashioned Fair Deal Congress. It is doubtful the President comprehended the baleful effect of the housing scandals on his easy money housing program; at least he did not consult in advance those who were responsible for this legislation.

Kill Health Insurance Entering Wedge

One of the red surprises of the session was a phony proposal that didn't make the grade in Congress, the so-called "health reinsurance" scheme. This proposed to have the government assume vast responsibilities in the coverage of "private" health insurance schemes, both as to the risks and the length of exposure to the risk, or to provide for ventures into major health coverage.

Obviously this isn't commercial or it would be provided commercially at universally low rates. The President proposed to spend only $25 million for this program. The technique was reminiscent of that period when FDR was a little timid about outright governmentalism, was only aiming "to help private business." Once on the books with thousands receiving benefits out of the new fund and millions more expecting them, like all new government subsidies, it would be bound to expand.

In this case the conservatives, on the theory it was the above, joined with the radicals who theorized it wasn't the bold courageous compulsory health insurance scheme of Mr. Truman's, and they killed it.

Constitutional Amendment Is Congress's Own

Senator Harry Byrd's proposed constitutional amendment to outlaw Treasury deficits except in wartime is the brainchild of himself and Senator Styles Bridges. Harry Byrd, it is believed, knows that it takes more than a stroke of a pen, even when applied to the Constitution, to get millions of beneficiaries off the Federal taxpayers' necks. The Byrd-Bridges amendment is just political back-fire against the debt limit boost.

Postpone Building Costs To Future Generations

Probably the final major phony of the 2nd session of the 83rd Congress is the Administration's lease-purchase law. Under this scheme when a Federal public building is desired, the government will arrange with a private contractor to put up the building and the government arranges to buy the same on a "lease purchase" agreement over a period of years, usually 20 years. In other words, Uncle Sam is going on the instalment buying plan.

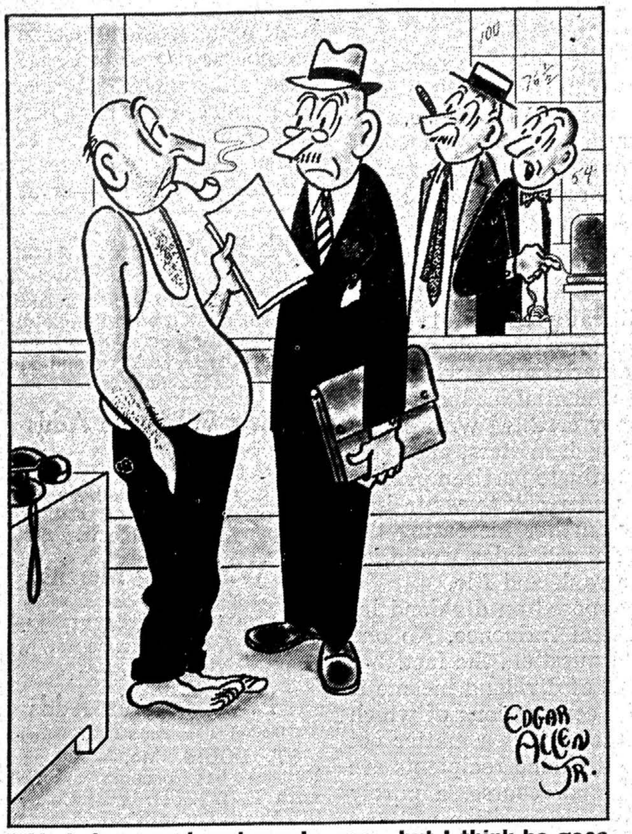
The sweet virtue of this scheme is that Congress will have to appropriate only for one year's instalments at a time on the public buildings it buys. Heretofore it had to appropriate for the entire cost at the time the building was completed.

This instalment buying method, of course, like FDR's little experiments of new agencies, isn't going to cost much, Oh, no. It is limited to a three-year program. Then if after three years Congress wants to go back in paying for things as it buys them, then all Congress has to do is to stop the idea, except for whatever buildings it has contracted to buy on the instalment plan during that three-year period. And think of it, only $8 million is provided to start the thing!

Eventually, of course, the government will wind up buying most of its buildings on the instalment plan. This will make it possible for the cost of public buildings, along with the ultimate load of social security, and the public debt, to be borne by future generations.

[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



"Oh, he's a good customer's man—but I think he goes a bit too far with that air of casual indifference!"

Business Man's Bookshelf

Pricing of Government Services—Jules Backman and Ernest Kurnow—Reprinted from "National Tax-Journal"—Jules Backman, School of Business Administration, New York University, New York, N. Y.

COMING EVENTS

In Investment Field

July 29, 1954 (St. Louis, Mo.)
Security Traders Club of St. Louis summer outing.

Aug. 13, 1954 (Denver, Colo.)
Bond Club of Denver-Investment Bankers Association summer frolic at the Park Hill Country Club, preceded by a Calcutta Dinner Aug. 12 at the Albany Hotel.

Sept. 10, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Sept. 27-30, 1954 (New York City)
National Association of Securities Administrators meeting at the Hotel Roosevelt.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Palmer, Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Peter A. Salamone is now with Palmer, Pollacchi & Co., 84 State Street.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Edward B. Stvan has been added to the staff of Paine, Webber, Jackson & Curtis, Union Commerce Building.