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EDITORIAL

As We See It

There is never very much about a "filibuster" to incite admiration. Rarely if ever can one be defended except on purely partisan or political grounds. Even for "filibusters" the performance in the Senate the past week seems to us to be extraordinarily shameful. Like all "filibusters" its main purpose was not to explore the merits or demerits of the proposed legislation which brought it forth, or to influence the voting upon that measure once it was put to a ballot, but to prevent the majority from placing upon the record its settled conviction—a campaign conducted by a definite minority. In practical operation it placed in jeopardy a long list of highly important bills, some worthy of passage, all needing careful study by each member of the Senate.

But we find this particular effort to talk the majority of the Senate out of its right to vote on this measure, and perhaps several other bills, to be especially blameworthy for another reason. No one who has cut his eye teeth supposes that the terms of the Atomic Energy bill, or certainly the most of them, explain this effort to talk it to death. The real meaning of this talk marathon would not be easy to find in the legislation against which it was technically directed. Indeed, we suspect that relatively few of those who were active in these proceedings have any comprehensive knowledge of the content of this proposed legislation. What they were and are fighting is the old, old bogey man, the "power trust." Of course, there is no such thing, and of course, even

Continued on page 18

Air-Conditioning Industry—Today and Tomorrow

By MATTHEW A. LAWLER*
Vice-President, Worthington Corporation

Mr. Lawler reviews progress of air conditioning and its potentials. Discusses present and prospective markets for the four basic equipment classifications, viz: (1) the room cooler; (2) the commercial package unit; (3) the year-round residential unit; and (4) central station equipment for large commercial and industrial structures. Says, because of many new producers of room cooling and small residential units, there'll be overproduction and price cutting, which will force a "shake-out." Holds air conditioning makes America a better place to live in and has a vast market ahead.

When we talk about air conditioning we are talking about an industry which is now in the billion dollar class. Production and sales for 1953 have been estimated at from nearly $1 billion to more than $1¾ billion. One industry leader estimates that production has increased 3,050% since 1947. Some forecasters predict growth up to $5 billion a year by 1963. In analyzing the potential of air conditioning, we customarily divide the market into four basic equipment clasisfications. These are:


Matthew M. Lawler

The Room Cooler of less than 2 horsepower including both window sill and console units.

The Commercial Packaged Unit of 2 to 15 horsepower which can be used with or without duct work and to which a heating unit may be attached.

The Year 'Round Residential Unit of 2, 3, 5 or 7½ horsepower in which the cooling unit is either added on to the heating unit or combined with

*An address by Mr. Lawler before the Rotary Club of Decatur, Ala., July 19, 1954.

Continued on page 22

The Federal Reserve and The Skidding Dollar

By FAYETTE B. SHAW
Associate Professor of Finance
De Paul University College of Commerce, Chicago, Ill.

Economist comments on current economic situation and argues, because of Federal Reserve policies and continued Federal deficits, the long-term trend would seem to be continuous inflation. Points out defects of built-in stabilizers to prevent depressions, and contends Federal Reserve System has become an engine of inflation. Cites legislative changes relating to the Federal Reserve that fosters overexpansion of credit, and stresses Federal deficit financing as intensifying inflationary trends and the doom of the dollar.

It's official now. The recession has hit its low and is passing. Leaders in government, industry, and university have said so. Therefore, there can be no question about it. The Prophets of Doom (of whom this author was/is one) are slinking away humiliated and defeated, but mumbling under the breath. This particular Prophet of Doom disappears into his lair (temporarily Greenwich Village in New York City) with mental reservations, however, as must many of his ilk, knowing that it is about as unpopular to be seen associating with a recession as with a Communist.


Fayette B. Shaw

The P. of D.'s must indeed have underestimated the strength and duration of demand for durable commodities of all sorts which eventuated from four years of war and increasing population. Desire for goods certainly has been present and likewise the purchasing power, the result of war efforts that seemingly always bring about inflation, and these have worked in a cumulative fashion to carry on business to levels not experienced before. But the P. of D.

Continued on page 20

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Worthington Corporation—Harold M. Edelstein, Mgr., Research Dept., Joseph Faroll & Co., New York City. (Page 2)

Robertshaw-Fulton Controls Co.—J. Dabney Penick, Partner, Reynolds & Co., New York City. (Page 2)

HAROLD M. EDELSTEIN
Manager Investment Research Dept., Joseph Faroll & Co., New York City
Members New York Stock Exchange

Worthington Corp.

In any list of major growth industries atomic energy, air-conditioning, road building and natural gas are virtually certain to appear. When one finds a company which is an important and profitable factor in each of these industries, it has to be at least one of the securities he likes best. Such a company is Worthington Corp., formerly Worthington Pump.

Harold M. Edelstein

In a letter which Worthington's President Hobart C. Ramsey sent to stockholders recently summing up the atomic energy picture and Worthington's place in it, he said:

"The important fact . . . is that a new industry has been born, and its growth is enevitable. . . . Our aim is to see that Worthington helps it grow, and to earn our share of the new markets which atomic power will create. . ."

Few companies can boast better prepartion for this task than Worthington. Its 100 years of engineering and production "know-how" brought it into the atomic energy development program as early as 1941. In 1942 the company furnished high pressure boiler feed pumps for the power plant at Oak Ridge, Tenn. Later it designed and built compressors for handling the uranium hexafluoride gas from which U-235 is made.

After the war, Worthington engineers continued to work with the U. S. Navy and the Oak Ridge National Laboratory in various fields of research, and more recently collaborated actively in the construction and design of coolant pumps and special engine room equipment for the "Nautilus," the first atomic powered submarine. Currently it is collaborating in the building of the "Sea Wolf," the second of these submarines.

The company has also participated importantly in the first production, on a major scale, of electric power from atomic energy.

A list of industries serviced by Worthington would take more space than is available here. However, products include pumps of all kinds, steam, gas and diesel engines; steam condensors, compressors, rock drills, turbines, and cement mixers, road paving, refrigerating, ice-making air-conditioning equipment; liquid meters, water treatment apparatus, and U-belt drivers.

Principal customers are municipalities; public utility, natural gas, and railroad companies; as well as the oil, road building, construction, mining, automobile and chemical industries.

Prior to 1940, pumps accounted for more than 50% of sales. Since that time research expenditures of approximately $3 million a year have developed new products which have materially altered the picture. Revenues from pump sales are down to about 30% of the total, while air-conditioning revenues have risen to more than 15% of total sales. Road building equipment currently accounts for 8 to 10%, but production can be expanded quickly should the Administration's road building program take hold.

Since 1946, the company has spent almost $30 million on new plant construction and modernization of eixsting facilities, placing it in an excellent position to exploit to the maximum the tremendous growth of the many industries it services.

Since 1941, when all arrearages on the preferred stock were cleared, earnings have been consistently upward. For the past five years averages per share earnings equalled $5.42, while the average since 1946 shows an impressive $5.11.

In 1953 net sales increased $11 million from the $133.8 million of 1952, but higher unit costs and starting up expenses of the new Decatur, Ala. plant, plus taxes at a 52% rate against 51% the year before, caused a slight dip in net income.

In the first half of 1954, however, net income climbed to $3.03 per share from $2.70 in the same period last year. Results for all of 1954, with the Decatur plant in full operation, and starting up expenses a thing of the past, could approach record levels. The company reports that new orders are being booked in good volume, a factor which added to the $55 million backlog, presents an attractive production picture.

Common stock dividends have been paid consecutively since 1943, and have increased fourfold since 1946. In 1953, a 50 cent extra was paid in addition to four regular 50 cent payments. With earnings going higher and its expansion program virtually completed, an increase in dividends is a distinct possibility in the very near future, especially in view of the company's excellent cash position.

Worthington's capital structure is not ideal but presents no problem. There is $25 million in long-term debt; 27,814 shares of $100 par $4.50 cumulative convertible prior preferred stock, 70,000 shares of $100 par $4.50 prior preferred stock; and 1,085,660 shares of common.

Cash items on Dec. 31, 1953 were $10 million. The current ratio was 3.4 to 1 and net working capital was at the highest level in years at $53 million. Book value was $44.74 per share.

Worthington Corp. is a major industrial enterprise. Its strong position in many basic industries and its growing importance in the air-conditioning field provide ample arguments for investment at current levels.

When we add its tremendous potential in atomic energy — a potential which President Ramsey could obviously only hint at in his letter to all stockholders—its excellent earnings and the possibility of increased dividends, and the profit potential which exists in the $50 billion backlog of roadbuilding in this country, the company shapes up as one which can be recommended whole heartedly.

The stock is traded on the New York Stock Exchange at approximately $47.00.

J. DABNEY PENICK
Partner, Reynolds & Co., New York City

Robertshaw-Fulton Controls Co.

There are a number of reasons why I like Robertshaw-Fulton Controls Company, which ranks as a leading manufacturer of temperature and pressure controls for home and industry use. Its management is sound, progressive and alert. It is ever ready, through its expanding research department, to take advantage of new developments in its own field. Several new products already have been developed this year and they should add to the company's earning potential when they are actively marketed in the next few months.

John Dabney Penick

In addition, Robertshaw-Fulton occupies an important position in the rapidly growing fields of automation and electronic controls. In 1951, Robertshaw acquired control of Fielden Instrument, which is operated as a separate division. This acquisition provided the company with an established electronics engineering staff and other important sources of research information. As yet, Fielden is a relatively small contributor to overall sales, but important expansion of its activities is likely.

Of greater importance, however, is the promising way in which the outlook for the balance of 1954 and the future is shaping up. After getting off to a rather slow start this year (first quarter sales and net earnings were below last year's level), it now appears that an important upturn occurred during the second quarter for the company. It is estimated that net earnings for the six months ended June 30, 1954, will be ahead of last year, when the company earned $1.15 per share.

Net income for the six months period is expected to better last year's results by approximately 10%.

The improvement which developed in recent months is expected to carry through the remainder of the current year. On this basis, it is likely that net sales will exceed 1953's record volume of $57,599,000 and that net income for the year will likely reach $3 per share on the common stock as compared with $1.90 in 1953.

Present strong trend of demand for Robertshaw-Fulton's products reflects increasing emphasis on control devices both in the home and in industry. The company has specialized in these fields for over half a century, having started the manufacture of automatic control devices as far back as 1900. The company is believed to be the major factor in each of the basic fields which it supplies with automatic controls.

Although home appliances form the most important single market

Continued on page 8

The Market Outlook

By ROBERT S. BYFIELD
Member, New York Stock Exchange

Economist, while depicting "Blue-Blue Chips" as now fatigued, maintains market's long-term upward momentum is still controlling. Cites as chief supporting bullish factors: relief from Excess Profits Tax, non-appearance of expected depression, favorable business climate under Eisenhower Administration, and—importantly—Treasury's cheap money policy. Emphasizes need for selectivity at this stage.

The bidding up of quotations for most "blue chip" common stocks has continued in an almost monotonous fashion. Recovery was quick and decisive from the sudden but sharp setback in early June. The Dow-Jones Industrial Average has risen over 10 points in the past month and at this writing is above 340. After a relatively indifferent performance during the first few months of 1954, the Rails are now giving a very good account of themselves and the Average is now above 117, not far from the July 15 high of 117.80. The Utilities have also been moving up slowly but steadily and are practically at their July 19 high of 59.78.

Robert S. Byfield

As in the past, there has been no single propelling force behind this impressive upward move. Among the principal causes are the relief from the crushing pressure of E.P.T. now being enjoyed by many businesses in a wide variety of fields, the failure of the decline in business volume to snowball into a real recession and the much more favorable climate in which business has found itself since the Eisenhower Administration took office. Perhaps more important than any of these is the cheap money policy of the Treasury. This results from a high level policy commitment to the principle of "full employment." There was a reduction in the Federal Reserve rate last Winter and more recently lowered requirements for commercial banks, a move which increased the lending power of our banking system by about $9,000,000,000.

Equities' Physical Demand and Supply Situation

The actual physical demand and supply factor is becoming more and more important. During the past few months the erratic market action of a number of a good many top quality common stocks leads me to believe that occasionally substantial offerings of stock for sale are not available. This situation would not be surprising because the higher the market rises the more reluctant many conservative investors become to sell their "blue chip" equities. Their holdings were acquired at much lower prices and if they liquidated them their large book profits would turn into actual profits, and as such would be subject to a substantial levy. This sort of thing has often been predicted by critics of the capital gains tax.

On the other hand, the demand for these very same "blue chips" is provided by the constant accumulation of investment money in the hands of institutions, pension funds, retirement plans and various types of trustees. These group investors are by their very nature conservative, and seek to limit their responsibility by investing principally in well known recognized names. In a sense, therefore, the market may be said to be feeding upon itself, and if no new factor intervenes, some issues may become over-valued, at least temporarily.

In the past three or four weeks the oils have been an exception to the great strength in "blue chips." The gasoline inventory situation leaves must to be desired and there have been some price cuts which ordinarily would have been ignored, but they occurred at a time of the year when demand is usually strong. The last time a comparable gasoline inventory over-supply occurred was in the Summer of 1949. Until the crude position can be readjusted to fit demand refinery margins in some areas will be squeezed.

At this stage of the market it will be much easier for investors to make mistakes than at almost any time since the Winter and Spring of 1946. "Selectivity" is an overworked word, but there was never more necessity for exercising caution than at this time with respect to individual commitments in common stock equities. However, the unwillingness of the market to hesitate in its upward move gives evidence of the great momentum it has achieved. Accordingly I look for no immediate change in direction. Of course, some bad news might eventuate, but investors have already had two such instances which the market has taken in its stride.

Dividend Tax Relief

The first was the unexpected determined effort of the Senate Democrats to knock the dividend relief section out of the Administration's tax bill. They succeeded in large part. During the debate on the tax bill the arguments advanced by some of the more prominent "soak the richers" were reminiscent of the New Deal days of the 1930's. For example, Senator Humphrey of Minnesota charged that "what we've done is to sacrifice the children for the stock-coupon-clippers." Senator Douglas of Illinois referred to stockholders as a privileged class and a group which has profited the most from U. S. industry. By way of documenting his argu-

Continued on page 29

INDEX

Articles and News Page

Regular Features

*No column by Mr. Bargeron this week.

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Outboard Bound

By IRA U. COBLEIGH
Enterprise Economist

Skimming over a few facts about the outboard motor business, and providing some topical comment on the leading manufacturer of these later day, mass produced, stern wheelers, Outboard Marine and Manufacturing Co.

This is surely the correct time of year to write about outboards. It's the peak of the season for these portable powerhouses for pond or pelagic use, whether you refer to sale, rental, or plain putt-putting. On streams and lakes, bays and bayous, from Acapulco to Alaska, from Labrador to Key Largo, from the Hudson to the Columbia, these detachable drivers of diverse craft are spinning billions of R.P.M., displacing calouses, delivering speed, and no doubt distressing the denizens of the deep with their sustained submarine cacophony. The outboard is a national investment for aquatic fun; and it's growing by leaps and bounds.

Ira U. Cobleigh

The outboard appears as the power plant for three major types of small craft hulls (1) the displacement, (2) the semi-displacements, and (3) the hydroplane. Don't let this technical jargon throw you. When the midget-model marine architects talk about displacement hulls they merely mean rowboats, canoes or dinghys; when they mention semi-displacement, they mean fishing boats and cruisers. Semi-displacements may be made of plywood, fiberglass or mahogany, usually with V-shaped bottoms. The hydroplanes are thin shelled racing boats designed to skim up on top of the water when they're revved up. Depending upon your purpose or preference, you pick out a particular motor for its horsepower, speed, gas economy, lightness of weight, and such fancier features as self-starters, gear shifts, remote control dash board levers, and steering wheel. For those of you who plan to buy a motor, and attach it to boats you rent from point to point, as you drive along through lake country or along the seaside, it's well to bear in mind that few rental boats can stand more than 7½ H.P., without starting to drool at the seams. So if you're a migratory or itinerant outboard owner, don't buy a jumbo job, first because it will weigh too much for painless portage, and second because if fastened to a doubtful dory, it may require a matching snorkel tube!

But enough of this, or I'll be going over board with outboard advice. This is a column primarily for investors, not fresh water admirals, so let's circle back to the outboard industry. How big is it? How fast is it growing? How many outboards are there around anyway?

Well, right now the best estimate is that there are about four million outboard motors in service in the U. S. This power unit is getting more popular every year what with our greater number of leisure hours, and our sustained national desire to let motors do the work whenever possible. Calloused hands from rowing are fast disappearing, and probably over 400,000 outboard motors will be turned out in U. S. and Canada this year in a concerted endeavor to relegate rowing to the status of a college sport.

Industry Leader

Probably the best picture of the outboard is provided by a glimpse at the results of the company that is the acknowledged leader of outboard production in the U. S., **Outboard Marine and Manufacturing Co. of Milwaukee, Wis.** This renowned enterprise produces probable more than 50% of all outboards currently manufactured in America.

The fact that O.M.M. was able to rocket net sales from $17 million in 1946 to over $60 million for 1953, is probably as good evidence as you will need to establish the growth of this specialized industry and the pre-eminence of O.M.M. in it. Further for the 1st six months of 1954 sales increased 34% over the preceding year; and net profits for the fiscal year ending Sept. 30, 1954 are expected to just about double the $1.41 per share figure for the year preceding.

The major business of **Outboard Marine and Manufacturing Company** consists of manufacture and sales of outboard motors and parts; with some 13% of net sales coming from rotary (power) lawn mowers and about 8% from military orders.

The lines of Outboards include such famous names as "Evinrude," "Johnson" and "Gale"; plus six unbranded models for a group of large retailers.

15,000 Retailers

Over 15,000 retail dealers (2,000 in foreign countries) sell the outboards; while the power mowers are sold by independent distributors.

For the outboard enthuiast a wide selection of motors is offered to please widely varying individual requirements of purse, portability, performance and power. For example, the Evinrude line begins with the 3 h.p. Lightwin which weighs but 32 pounds and sells (all prices quoted F.O.B. factory, and are subject to change) at $145. Then there's a 7½ h.p. (this by the way is the most popular h.p. size) called a Fleetwin Aquasonic, weighing 49 pounds priced at $235; a 15 h.p. model weighing 67 pounds to sell at $335. Finally, there's the two cylinder 25 h.p. Big Twin that can hot rod a racing boat frame well above 35 m.p.h. With all this horsepower the "Big Twin" weighs a bit over 100 pounds, and costs $410. And, if you want to go real fancy you can, with this 25 h.p. dreamboat pusher, get an electric self-starter costing about $75. There is, as you see, a wide range of units and O.M.M. produces brands whose trade marks are known throughout the world.

About speed, nearly all the models can throttle down to troll at 1 or 2 m.p.h., while the velocity created by the big 25 h.p. unit depends, for the most part, on hull design. If you have ever happened to watch the Albany to New York outboard motor races, you'll know what I mean. Those hopped up water bugs can really travel.

Important in the development of this whole industry is the continuing emphasis on lightness. The trend has been definitely toward less weight of units, and by improved engine design, and the use of lighter metals and alloys, principally aluminum, considerable progress in this direction has been achieved. For instance in 1952 a 17.6 h.p. Evinrude weighted 104 pounds; while today a quite comparable 15 h.p. unit weighs but 67 pounds. With titanium, and some others of these new wonder metals, who knows, you may be able, in the future, to tote an outboard along to lake or stream on a shoulder strap, like a portable radio.

Dividends Since 1937

A look at **Outboard Marine and Manufacturing Co.** from the stockholders view point may not be amiss. Since 1937 cash dividends have been paid on the common averaging a little less than a 50% payout from net. O.M.M. common was split 2 for 1 in 1945 and 3 for 1 on July 6 of this year. There was also a 20% stock dividend in 1953. As a result there are now outstanding 2,138,658 common shares listed N. Y. S. E. and selling currently at 23¼ with an indicated dividend of 66⅔ cents. These shares, the sole equity, are preceded by $7,155,000 in long-term debt.

Here is a quite specialized company that has been biulding up sales at a dramatic rate, that should attain both by virtue of sales, and the demise of E.P.T., new levels of net earnings for 1954. Intelligent expansion including a new aluminum die casting plant at Waukegan, Wisconsin, and a substantial construction program for the Canadian subsidiary, point to a still greater earnings potential for the future.

Meanwhile, with the increasing leisure which our bountiful economy provides, more people are heading for the water each year, and one of their first investments is an outboard. They may parlay it later into a 45 foot cruiser, if they strike it rich, but even then they'll have a tender with a kicker. They're outboard bound.

CORRECTION ON
Laurentide Acceptance Corp. Ltd.

Editor, Commercial and Financial Chronicle:

In your issue of July 8, in Cobleigh's article on page 4, I was interested in his review of Canadian finance companies, but think he understated current earnings of Laurentide Acceptance Corp. Ltd.

For the six months of the fiscal year ended last April, I believe that earnings on the 197,155 combined A and B shares were 69c, the highest on record. If the last six months are equal, the full-year earnings for fiscal 1954 will be about $1.38.

Dividends in the six months were 30c on the A and B shares, or a probable 60c for the 1954 full year. These were stated correctly.

These figures on earnings are different from those given by Mr. Cobleigh, namely, that "indicated earnings for the first nine months months of 1954 are 53c on the common, up 20c from last year." *Nine-month earnings on the common will be about $1.04, not 53c.*

STEWART JOHNSON.

R. 2, Spring Hill,
Storis, Connecticut,
July 19, 1954.

Memo From Ira Cobleigh: Mr. Johnson's point is well taken. The reference in my article to indicated earnings of 53c, etc. pertained to the first five months of 1954, not for the nine-month period as was inadvertently stated.

W. I. Buxbaum Opens

KEW GARDENS, N. Y.—Walter I. Buxbaum is engaging in a securities business from offices at 82-40 Austin Street.

D. C. Davis Opens

PARIS, Tex. — Dimple Crain Davis is conducting a securities business from offices at 6th North-east at Lamar.

F. Howard Smith

F. Howard Smith, Partner in Orvis Brothers & Co., passed away on July 12.

The State of Trade and Industry

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

As 1954 passes beyond the mid-year, business activity remained at near-top level, and some basic indicators would indicate a second best year in business history. There are some spotty situations developing, however. Domestic steel production, which picked up slightly last week, is expected to fall back again in the current week. The American Iron and Steel Institute reported July 26, that the industry operated at 65.3% of theoretical capacity in the previous week and turned out 1,557,000 net tons of ingots and steel for castings. The operating rate for the period had been 64.3%.

This week the mills scheduled operations at 64.5% of potential, equal to production of 1,538,000 tons, the institute estimated. A month ago, with operations at 65.8%, the industry produced 1,568,000 tons, and a year ago, when the nation's rated steel-making capacity was smaller, the mills operated at 92.6% and turned out 2,087,000 tons.

The institute's ingot production index, which designates the average production for the period 1947 through 1949 as 100, was expected to fall to 95.7 this week from 96.9 last week. A month ago this index was 97.6, and a year ago it was 129.9.

Construction Requirements Brightest Spot in Steel Markets

Construction requirements provide the brightest spot in the steel markets currently, says "Steel," the weekly magazine. White other products are moving at noticeably slower pace than a year ago, demand for some building items is outstepping last year's pace. Structurals, sheet piling, reinforcing, guard rail and rope, and galvanized sheets are definitely pacing the market. And the strong demand extends to bulding specialties and tubular goods.

Bridge and highway needs stand out. Meanwhile, commercial and nonresidential public building continues to contribute surprisingly strong support to expectations of, at least, a near-record in construction during 1954.

Shipment figures show construction steel demand holding up much better than that for wire and the various flat-rolled items. Structural shipments in the first five months this year were 1% above those in the like 1953 period. Another construction product, sheet piling, was up 23%.

Reinforcing bar tonnage was off 17% but, significantly, this building item fared better than bar classifications going largely to manufacturing, hot-rolled being off 38% and cold-finished 51. At the same time, plate shipments were down 26%, hot-rolled sheets 25, cold-rolled sheets 15, electrical sheets 26, hot-rolled strip 41, cold-rolled strip 43, and drawn wire 31, items mostly going into manufacture.

Large structural awards being placed right along assure high-level demand for building steel through remainder of this year. Last week's awards included 19,500 tons, bridge superstructure, Burlington, N. J., 13,000 tons, coliseum, Triboro-Authority, New York, 4,750 tons, towers, the American Light Service Co., 1,300 tons, structurals and wire rope, natural gas line suspension bridge over the Mississippi River, and 7,880 tons, bridge over the Sakonnet River at Tiverton, R. I.

Pending awards are fairly numerous. These brighten prospects for early term volume. At the same time, the longer term outlook is enhanced by a national backlog of needed construction believed sufficient to support strong building steel demand for several years. One currently active project, a 1,460-mile pipe-line will take some 300,000 tons of pipe alone.

According to "The Iron Age," the summer slump in steel production is not proving as bad as some in the industry feared it would be. Although some experienced observers thought the ingot rate would drop to 60% of capacity or less during July or August, that now seems highly unlikely.

Steelmaking operations this week are scheduled at 64.5% of rated capacity, 1 point lower than last week's revised rate. Except for the week of the Fourth of July holiday, this could turn out to be the low for the year.

The steel ingot production index for this week is estimated at 95.7, only a few points below the average for 1947-49. Differences between the ingot rate and production index is due to recent, huge expansion of capacity within the industry.

Plant-wide vacations of steel consumers are exerting more impact on the market than most experienced steel man can remember. More than any other factor, this is holding a damper on new orders. Shipments are also being delayed on some orders already on the books.

Prospects of September upturn in steel business is brighter than ever this week. Producers are cheered by reports that the long downtrend of warehouse business has been reversed. Despite an expected dip resulting from July vacations, steel mills can expect more orders from warehouses. About one-fifth of all steel produced is sold through warehouse distributors.

An early start on new car models is expected to bolster steel demand from the auto industry by September. The auto industry accounts for another fifth of steel consumption.

Output of Steel for First Half Year 6.2% Higher than Average for 1947-1949

The production of steel in the first half of this year totaled 44,128,998 net tons of ingots and steel for castings, or 6.2% above the average for the three years 1947 to 1949, according to American Iron and Steel Institute, or only about 900,000 tons below the production in the first half of 1952.

During June the production totaled 7,361,000 tons, compared with 7,472,738 tons in May or 6.9% higher than the average for 1947-49. This is indicated by the index of steel production which

Continued on page 22

Observations . . .

By A. WILFRED MAY

The Smart Money and the Bull Market

Last week's release of the data on the short interest has elicited unwarrantedly little attention as a market factor. This is in line with Wall Street's proclivity to concentrate on single-cause explanation of a market movement—currently the supposedly unsatisfiable demand for respected issues by hungry institutional buyers.

A. Wilfred May

To the sophisticated observer the present status of the short position constitutes a substantial bullish reed. For on the New York Stock Exchange it now tops the 3-million share level for the first time since the 1932 Depression depths and similarly on the American Stock Exchange has reached the highest level since the dreary trough of 1931.

To many it must seem strange that we interpret as bullish such widespread expectation of lower prices by this highly-professional sector of the market participants. But the conclusion that the expert short-sellers' bearishness is by no means most intense at market peaks, and even that their judgment may well be "coppered," is clearly compelled by the empirical long-term record. As we indicated above, the precedent for today's record high crowd of short-sellers (1931-32) was by no means a period of high market prices, but the low point of our most drastic business, fiscal and market depression immediately preceding a substantial and long recovery.

Selling Cheap and Buying Dear

The chronic situation of the experts' growing bearishness during falling prices, and bullishness after stocks have risen, is demonstrated in the following table showing the concurrent changes in prices and the short interest over ensuing important market periods.

Date—	Price Dow-Jones Indust. Aver.	No. Shares in Short Int. NYSE	Short Interest Prop. Total Shares Listed
February, 1932	70	3,536,000	2.7%
January, 1934	110	1,030,000	0.8
August, 1937	190	966,000	0.7
May, 1938	110	1,343,000	0.9
April, 1942	93	530,000	0.4
May, 1946	213	867,000	0.5
June, 1949	160	1,609,000	0.8

Typically, in the market decline during the first half of 1949, while stock prices were falling by 6%, the short interest grew by 16%.

During the 15-year period 1934-1949, illogically enough, a *rise* in the ratio of the short interest to above 1.5% of the trading volume, was in seven out of nine instances followed by a rise, rather than a fall, in share prices.★

That the shorts still follow *behind* price trends is indicated by their last month's activities in the following leading issues:

Changes in Market Price and Short Interest

June 15 to July 15, 1954

Issue—	June 15 Price	June 15 Short Interest	July 15 Price	July 15 Short Interest
American Tobacco	60⅜	5,380,000	55¾	8,258,000
Dow	39⅜	24,400,000	43⅜	28,211,000
du Pont	123	24,704,000	137	20,709,000
General Motors	70¾	74,646,000	80	69,200,000
International Paper	68	11,627,000	77	10,854,000
Westinghouse	66	24,388,000	70½	22,918,000

Contrasting Expert Bullishness

Importantly relevant to our observations on the present expert reaction to the market is the contrasting bullishness of two categories of super-professionals. During the week ended July 10 purchases of common stocks by 40 representative major life insurance companies topped $15 million, the largest total in six weeks; with such purchases during the first half of this year having been 2½ times the 1953 amount when the market price level was 16% lower.

Likewise bullish are the forecasting services. The current poll of those 40 leading organizations reporting periodically shows 61% bullish for the short-term; and for the long-term 85% bullish (compared with 61% when the market was 20% lower a year ago).

Will the market continue up, and if so, would this imply that the short-sellers chronically comprise a single category of "smart money" that is uniquely wrong in its forecasting?

* * *

In view of prevalent confusion and misconception concerning the mechanics of short-selling-and-covering, the following explanation is offered:—

Short-selling in the securities market is selling a stock on which you cannot or do not wish to make delivery, and borrowing (from a third party, not the buyer) the number of shares sold to make delivery.

Short-seller A sells 100 shares to buyer B. A's broker borrows from C the shares to deliver on the sale to B. A does this by depositing cash equaling the market value of the shares with broker C entering into a loan arrangement. Depending on the available supply of the stock borrowed, interest is paid on this loan, the stock loans "flat" (no interest is paid, or a premium is charged). A's cash remains with stock-lending C until the shares of stock are returned to him (either via A's covering re-purchase of stock in the market or his re-borrowing from a second lender, D), and the loan is thus paid.

Profits on short sales are taxed on a short-term income basis, and not as long-term capital gains.

★ Barron's, Feb. 21, 1949.

The Return to "King's Money"

By JOSEPH MOSBY HORNOR

Author, finding the evils of present monetary system due to practice of giving to each portion of bullion coined into money some other name than the one signifying its weight and quality, reviews history of currency in the United States and acts and decisions that have led to paper currency creation in the U. S. Concludes "only by returning to the gold standard at an early date may we stop soon enough the wasting of our resources through the Government's command over the purse."

J. M. Hornor

Jean-Baptiste Say, called by some the "Adam Smith" of France, writing in 1806, deplored the practice of giving to each portion of bullion coined into money any other name than one signifying its weight and quality. Mr. Say showed that a debasement by the sovereign would be much more difficult if the name on the coin signified the required weight and fineness, or value, which of course is not exchange value. (See "Political Economy," by Jean-Baptiste Say, Book I., CHAP. XXI., Sec. 5.)

In "The Natural Law of Money," published in 1894, the author, William Brough, referred to the period when "the coinage came to be known as 'king's money'." Whereas,

"the Roman 'pondo' was a pound of copper, the English 'pound' a pound of silver and the English 'penny' a pennyweight of silver; it [the coinage known as 'king's money'] bore the effigy of the sovereign, and the pieces were artificially minted; but they were given names that had no reference to their fineness. This irrelevant naming was misleading, and the people soon lost sight of money as a commodity, and came to regard the stamp and denomination as the valuable part. The superstitious awe in which kings were then held made it but a short step from the belief that a king's touch would cure disease to the belief that his effigy and superscription gave value to the coin. By this last change in coin, which obliterated the meaning of money, the people lost control of the coinage, —that control had passed into the hands of kings."

A Law Whose Effect Was to Reduce Greatly the Control of the Coin by the Crown, and Another Limiting the Powers of Congress Over Money

Modern history affords interest in two incidents that occurred near to each other in points of time. The last English sovereign to whom any subjects are said to have gone for the healing of disease by royalty's touch was Queen Anne. In England, therefore, the superstition mentioned by Mr. Brough greatly subsided in the reign succeeding that one during which Parliament granted a charter to the Bank of England, an act which greatly diminished the evils resulting from a control of the coin by the Crown.

Ninety-three years after the founding of the Bank of England, when the Constitution of the United States of America was written, the framers carefully withheld from the Congress all the powers over money except the power "To borrow money, on the credit of the United States"; the power "To coin Money, regulate the Value thereof, and of foreign Coin"; and the power "To provide for the Punishment of counterfeiting . . . the current Coin of the United States."

Today, the use of monetary currency in all, including the smallest transactions, in this country, stands in sharp contrast to the widespread practice of barter here in 1787 and earlier. The farmer exchanged much of his land's yield and of his personal labor for the yields from others' lands and for others' labor. A "log-rolling" by the community cleared a tract of land belonging to a community member, who, in turn, joined the community in a "house-raising" for another member. Many of the farmer's products commonly were bartered for goods of the store-keeper or for the services of the doctor, lawyer, or artisan. Of course, too, there was bartering of livestock.

The fact of the marked change from that day to the present may incline one to think the founding fathers were confronted with principles in establishing a money system other than those with which they would be confronted today. However, we know that the limited exchange of things or services cannot be prosperous if general business intercourse on a large scale, that is, commerce, be not prosperous. Commerce completed with unsound currency may prosper for a time, but it never does this steadily, and unsound currency, however attractive it may be at first, becomes wanted less and less as time passes until commerce stagnates. Monetary disorder is accompanied by social disorder. What better example does history afford than New England's near anarchy known as Shay's Rebellion at about the time of the Constitutional Convention at Philadelphia? An easily recognized cause was the low ebb of the limited exchanges of services and things which resulted from a similar state of commerce, induced by dependence on a currency of worthless, or nearly worthless, promises to pay money and/or degraded coined metal.

The great men of 1787, at Philadelphia, saw that the monetary powers which they put into the Constitution would have prevented monetary disorder. Whenever observed, these powers have prevented monetary disorder.

By the Constitution, the states surrendered their powers to "emit Bills of Credit." Bills of credit simply were paper promises to pay money which were intended for use as parts of the currency. They may have been secured or unsecured. The states carefully refrained from granting to the Congress the power to "emit Bills of Credit." Clearly, as said by Chancellor Kent in his renowned "Commentaries on the Constitution" (*Col. 3, P.* 19), under the common-law right, this prohibition "did not extend to bills of credit emitted by individuals, singly or colectively."

In January, 1837, a decision by our Supreme Court approved the emission of bills of credit by the states through banks organized and operating in such a manner as to have been called, by way of distinguishing them from state banks, by the eminent authority, the late William Graham Sumner, "Banks of the States."

The decision was on the case styled "Briscoe *vs.* The Commonwealth Bank of the State of Kentucky"—(see Court report, 8 Peters, 118 *et seq.*) According to Beveridge's Life of John Marshall, Vol. 4, P. 582:

"The Kentucky Bank, owned by the State, was authorized to issue, and did issue, bills which were made receivable for taxes and other public dues. The Kentucky law furthermore directed that an endorsement and tender of these State bank-notes should, with certain immaterial modifications, satisfy any judgment against a debtor. In short, the Legislature had authorized a State currency—had emitted those bills of credit, expressly prohibited by the National Constitution.

"Briscoe and others gave a note, in 1830, which they did not pay at maturity. In the State Circuit Court, Briscoe pleaded 'no consideration,' on the ground that the note was given for a loan of notes of the Bank of the Commonwealth, which were 'bills of credit' within the prohibition of the Constitution, and therefore of no value."

The state could not emit bills of credit. How, then, could it authorize any person or institution, even a bank which it owned in whole or in part, to do the same thing?

"The decision was by McLean. It was held that a bill of credit 'is a paper issued by the sovereign power, containing a pledge of its faith and designed to circulate as money.' Notes, to be bills of credit, must be issued by the State and bind the faith of the State. Commissioners of issue must not impart any credit by signature, nor be responsible. Hence it was held that the notes of the Bank of the Commonwealth were not bills of credit."

The Constitutional Convention had closed and barred the door against the paper "money" with which the colonies and their successors, the states, had been cursed. In January, 1837, this door was smashed in. The way to the use of the accursed paper "money," issued in whole or in part by the states, was now to be traversed to our shame and at great cost. Under the guidance of a small number of rarely able men, an exceedingly small proportion of the Banks of States had records of good management.

Many separate states, particularly those south and west of the Ohio River and west of the Mississippi River, gravely offended in another way. They violated the common law by giving authorizations to individuals, singly or collectively, to swindle by banking. Without capital or assets, so-called "bank" after "bank" was allowed and encouraged by a state to operate, to add enormously to the currency in circulation. Although these were not owned in whole or in part by the states, they could not have existed had the law been enforced, instead of transgressed by the making of the authorizations.

"Wild-cat" banking went out with the development of paying by checks on deposits, a practice well under way by 1860.

This is not the place for calling attention to all of the Federal Government's violations of the money clauses. To be condemned on every possible occasion, how-

Continued on page 18

The Outlook for Smaller Business

By WENDELL B. BARNES*
Administrator, Small Business Administration

After stating that there are 4 million businesses which are small, chief of Small Business Administration predicts these as well as large concerns will benefit from an expected pick-up in economic conditions during last half of year. Says the Small Business Administration has worked for tax-revision, and enumerates advantages of pending Tax Revision Bill. Estimates, under proposed measure, a tax reduction of about $7½ billion. Reveals Small Business Administration loans now exceed $26 million, and current loans are being made at rate of $2½ million a week.

It is wonderful to see an entire three-day session of the National Industrial Conference Board devoted to the problems of small business. That is one of the reasons why it is a particular pleasure for me to be with you and to participate in this symposium.

An organization of this stature can do immeasurable good in helping small business solve its problems.

That, fundamentally, is what the Small Business Administration is designed to do. We have the same aims and purposes—to foster the healthy growth of small business and, in that way, help the whole Nation.

So I come to you as a fellow-laborer in the vineyard of small business.

Perhaps I can furnish you with some food for thought, just as I have already gained information and insight from talking with members of your Board. This is an exchange of information from which I shall go away fortified and encouraged.

When you come to think about it, the implications of the job before us all are truly staggering. There are about 4,000,000 businesses which are small. Not all of them need help, but if only 10% were in need of assistance in one way or another, you can realize how thin the 600 employees of the Small Business Admministration would have to be spread.

We need all the help that organizations of your kind can give.

The health of business — and numerically, 96% of all business is small business — depends on certain fundatmentals. I happen to be of a school which believes that a free economy is best—with a minimum of government controls. This free economy is best, I believe, in spite of the fact that under the free enterprise system, one is just as free to make a loss as a profit. That's why the so-called "profit system" is better called the "profit-and-loss system."

Essentials of the Free Enterprise System

The free enterprise system calls for the free play of prices, a maximum of free competition and a minimum of interference with the free movement of goods, services and capital between and among the sovereign states.

In the modern state we have many forms of control which go counter to theoretically perfect free enterprise. It is very hard, especially after a world war, to do without some of these props, these floors, these poultices, these crutches, these slings, these limitations of one form or another. But the important thing is that we have made a most spectacular *beginning* on getting rid of them.

Last February we got rid of wage and salary controls, as well as controls on many consumer goods. By March 17, the last item in the list of ceilings had been "de-ceilinged." For the first time since January of 1951, the United States found itself in a free *price* economy! I believe that is all to the good and in accordance with the genius of our people. As a practical matter, the terrible things predicted in the way of swiftly spiraling prices did not happen. The Bureau of Labor Statistics index of prices shows a rise of less than 1% from March of 1953 to April of 1954.

I also belong to that once heretical breed which does *not* believe that we can spend ourselves into prosperity and that the higher our national debt the richer we are. I observe signs multiplying all around that the people who held these kinds of *Keynesian views* are, now, becoming the heretics. It is becoming respectable and orthodox—and a little popular among some of our professors of economics—to hold that a balanced budget is a healthy thing, even in a so-called period of decline.

We have stopped the habit of piling one mountainous Federal deficit on another and calling the result "Good."

We have stopped spending 'way beyond our income.

We have cut the spending program for this fiscal year by $12 billion. That means our expenditures budget can soon be brought into manageable shape, if not precisely balanced. We expect that the *cash* deficit for the year-end, on June 30, will be less than $1 billion!

And the people who predicted that just as soon as we cut the budget of our armaments spending we would go into an economic tailspin, have turned out to be false prophets. They thought of this country as a sort of economic dope-addict, which had to have its regular shot of armaments-spending dope to get along. And yet, with military prime contracts, estimated for fiscal 1954 at less than half what they were in fiscal 1953, we still manage to have the most prosperous half-year in our history, with the single exception of the first half of 1953.

We are neither economic dope addicts nor headed for the poorhouse, because now we are winning the *battle of the dollar!* We are halting inflation, without going into deflation. We are halting the cheapening, by inflation, of every dollar you earn, every savings account and insurance policy you own and every pension payment you receive.

We have done an unprecedented thing—come down from the inflationary heights, following a great war and a lesser war, without the collapse and liquidation which have marked every other postwar era in our history.

Dr. Gabriel Hauge, Administrative Assistant to the President, appeared before a meeting of our Regional Directors the other day and said: "The evidence suggests that the downward drift of our economy which has been in progress since July, 1953, is coming to a halt. The important thing to note is that this downward movement has not 'snowballed' and that there is a basic confidence in the future. We are now interested not so much in what has been accomplished but in what lies ahead. Our interest is in expanding our production and our distribution to unheard of levels. . . . Our economy is now catching its breath for a fresh advance."

Dr. Arthur F. Burns, Chairman of the President's Council of Economic Advisers, held a press conference recently at which he said that the year-old business downturn is about over and "an early increase" in business activity can be expected—in fact, he said, if it does not come *quickly,* he will be "seriously worried."

The background of confidence in both cases—Dr. Hauge and Dr. Burns—is largely because of the way business inventories—unsold goods on the shelf—are decreasing.

If this was an "inventory readjustment," then the great good news is that inventories are swiftly melting away, instead of piling up. In the second quarter of 1953, inventories were piling up at the annual rate of $6.3 billion. This has now shifted to a reduction rate of nearly $6 billion per annum. The reversal involves a total of about $12 billion in the rate of inventory buildup.

One of the things which had complicated the picture was the decline in military spending, while the Department of Defense very largely "lived off the shelf" of its tremendous stocks of every sort.

Now, says Dr. Burns, government spending as a whole, and military spending, in particular, will be "at a very high level." Aircraft buying, for one thing, will be sharply stepped up.

The booming construction industry goes on making new records. The momentum of new construction—which has broken 1953 reecords every month this year, is expected to carry the 1954 total to $36 billion, as compared to $35.3 billion last year.

Looks for a Sharp Pick-Up In Business

A sharp pick-up is expected in the second half of this year in public spending, on such things as on highways and schools. I give you this to chew on: There are, on the drawing boards, right this minute, plans for $8 billion worth of toll roads, alone—an amount equivalent to the entire American railroad debt.

For highways, turnpikes, toll-roads and throughways, a total of nearly $2 billion will be borrowed during the rest of this year, which means a huge burst of construction activity.

Dr. Burns has revised upward the former estimate of $27.1 billion for business spending this year on new plant and equipment. He said it would at least *equal* and may *surpass* the 1953 record total of $28.4 billion.

The steel industry which has been feeling a bit puny in the past months, after years of putting out more than its theoretical capacity, is now recovering as buying orders come in. Production has recently scored its biggest gain of the year—2½ points to 73% of capacity.

Dr. Burns summed it up in this fashion: "Such objective records as we have of future business indicate an early upturn in economic activity. . . . Taking these indications all in all, there is definitely room for hope that the cessation of the economic decline . . . will soon be followed by an over-all recovery in non-agricultural output and employment."

Of course, small business will benefit as a part of *all* business. You cannot separate small business from the body economic, as a whole. Unless small business is in a state of health, the whole economy is sick. What is good news for all business is good news for small business and vice versa.

It is worth pausing a moment and mentioning some of the basic factors which have halted the downward trend and have started us on an upturn.

There are certain "built-in" features of the economy which act as stabilizers. Among them, of course, is the vastly improved strength of the whole financial structure since 1929, centering around the Federal Reserve System and the FDIC banks.

Another is the Federal Budget which tends to sustain private incomes in a recession by subtracting less from them, in the way of taxes, and adding more to them in such ways as unemployment compensation and farm price supports.

But on top of them are certain non-automatic features. I would put at the very top some very skillful management by the President, by the President's Economic Advisers, by the Treasury, in the field of debt-management and by the Federal Reserve Board which began to meet the situation, as early as May of 1953, by purchasing government bonds in considerable volume, followed by a reduction in reserve requirements, which released over a billion dollars of reserves.

The public very soon got the idea that this combination knew what it was doing and—after some preliminary nervousness—settled down to a grass-roots calm, a refusal to be stampeded. The stock market reflected the basic confidence of the people and predicted that an upturn was not far away.

Incidentally, have you noticed the absence of nervous talk in recent months?

The fund of public confidence is growing into a self-propagating wave which has pervaded the country. This was of the essence and a large part of the credit for it must be given the public, who would not panic and went right on buying, and to business, which went right on ordering and planning for the future.

One of the things the Administration must be chiefly credited with was planning for tax cuts and a thorough-going revision of the antiquated tax laws of the country. Congress had not made such a revision in 80 years and the jerry-built hodge-podge of the tax structure simply cried out for someone to take the iniative and give us a code which, in the words of President Eisenhower, would be designed to "remove the more glaring enequities, particularly on small tax-payers; to reduce restraints on the growth of small business and to make other changes that will encourage iniative, enterprise and production."

Small Business Administration Aided in Planning Tax Revision

Will you pardon me if I say that the Small Business Administration did its full part in bringing to the attention of the national administration the pressing reasons for giving small business relief in the form of tax-revision.

One of the chief reasons why tax relief is so important to small business lies in the fact that, after these current high taxes are paid, there is very little left to plow back into the business, for expansion, for research, for improvements of any sort. That is not so true of bigger business. It frequently can accumulate reserves and does not need to borrow or seek outside capital for expansion and betterments.

In going into some of the details of the new tax bill, it should be emphasized that perhaps the outstanding accomplishments of this Congress will be the passage of the tax-revision law.

Its key provisions assist in the growth and survival of small business. These provisions will remove restraints on intiative and incentive, simplify the task of compliance with the tax laws, and help create the kind of environment in which small business can flourish.

Here are only a few of the many provisions of the bill which are important to the vigorous development of small business as part of a dynamic economy. These include liberalized depreciation allowances, a more realistic policy with respect to earnings accumulations by growing businesses, more liberal and intelligent treatment of research and development expenditures, partial relief from double taxation of dividends for the encouragement of equity risk capital, better alignment of tax accounting with sound business and accounting practices, liberalized loss carryover provisions for the assistance of business with fluctuating profits and loss experience, clearer, more flexible procedures for the tax treatment of partners and partnerships, more rational treatment of corporate reorganization, and measures to provide a more uniform tax liability on small businesses whether operating as proprietorships and partnerships or in corporate form.

The liberalized depreciation provisions of the bill extend the use of the declining-balance method at double the corresponding straight-line rate on new property acquired in 1954 and later years. The faster tax write-off will reduce investment risks, increase available working capital, and materially aid growing businesses in the financing of their modernization and expansion.

Small Business to Get Some Relief from Section 102

Small, closely-held businesses have long been apprehensive over the application of the Section 102 penalty tax on earnings accumulations. The bill minimizes the threat to corporations accumulating funds for legitimate business purposes, provides for a shift of the burden of proof in regard to the unreasonableness of earnings accumulations to the government, exempts the first $60,000 of earnings accumulations from the penalty tax to assure a margin of growth, and limits the tax on excessive earnings accumulations to the excess portion.

For the first time the bill provides a small business without a regular research and experimental budget, a clear right either to deduct its research outlays as current expense or capitalize them subject to amortization over a five-year period.

For small businesses with spotty and irregular earnings, the bill extends the present loss carryover provisions to permit a two-year carryback and a five-year carryforward of net operating losses. Present law permits only a one-year carryback and a five-year carryforward. The bill also liberalizes the computation of the loss carryover.

The combined dividend exclusion and dividends-received credit for individuals will partially relieve the existing double taxation of dividends, stimulate the supply of equity capital, and help remove the existing penalty on equity as compared with debt financing. The relief from double taxation consists of an exclusion of $50 of dividend income in 1954 and a 5% tax credit on dividends above the exclusion received after July 31, 1954 and before Aug. 1, 1955. In subsequent years the exclusion is increased to $100 and the credit to 10%.

The central aim and purpose of the whole tax program is to remove the past inequities and to broaden the tax base thus lightening the load on everybody.

Broadening the tax base involves the removal of road blocks in the way of business initiative and prosperity, so that more businesses will be able to survive, to grow, to succeed and—pay taxes.

On top of this highly commendable purpose, we are getting a tax windfall of $7,400,000,000, which is the greatest single tax reduction in the entire history of the

*A talk by Mr. Barnes at the National Industrial Conference Board's Smaller Business Conference, New York City.

country in one year or two or three years, for that matter.

That is, indeed, a major accomplishment and a most helpful portent for the future of the small businesses of the country.

I am sure that many of you suffer from the illusion that about all the Small Business Administration does is make loans. We do make loans and we have already used up about half the funds given us by Congress for that purpose. But loans are a rather small part of our functions.

More Than $26 Million of Loans To Small Businesses

We have made 442 loans for a total of $26.3 million. It is certain that we have saved many firms from going under and more important, have enabled many worthwhile businesses to expand.

That means providing payrolls and jobs, and helping other businesses, too.

Not long ago the Chamber of Commerce of the United States made a survey. It was found *for every hundred persons* put upon a payroll—and the same thing applies to *saving* a hundred persons on a payroll—the following results, in a decade, accrue to the community: Retail sales zoom by $375,000, the community adds 117 new households, 172 employed persons, 62 school children, six new retail concerns, 165 new car registrations, 46 truck and bus registrations and 54 new residence telephones.

That is a reason why it is so important to a community for new businesses to be started. It has tremendous leverage on the whole community and exerts its due impact on the whole economy. It is equally important that those concerns which are already established continue to grow and expand.

It is the province of the Small Business Administration to aid them by financial assistance, under certain circumstances, but I wish to point out emphatically that ours is not a "give-away" program nor a "bail-out" program. We have almost as many restrictions placed upon us by law and by the action of our Loan Policy Committee as a bank has in making loans.

We are in no sense a competitor of the banks—in fact we are forbidden to make a direct loan to an applicant until he has exhausted all his sources of private lending. In about two-thirds of the cases, we join with banks in making loans. This is what we call "participation loans." We will take up to 90% of the whole loan sought.

Although we are now making loans at a rate of about $2½ million a week, we still do not think we are covering the field as expeditiously or as thoroughly as we should. It is for that reason that we have under consideration delegating to our 14 Regional Directors the authority to approve small business loans under certain conditions.

Under the proposed plan, the Regional Director would be authorized to approve participation loans in an amount not exceeding $50,000 to any one borrower, provided that the participating bank or other credit institution shares in the loan to an extent not less than 25% of the total and that such participation shall represent not less than 50% of new money.

It is expected that this authorization to the Regional Directors to pass on loans in the field without the necessity of clearing the loans with Washington, would greatly shorten the time involved in the loan operations of the Small Business Administration.

Aiding Small Business in Getting Subcontracts

A second major field in which the Small Business Administration is active is in rendering assistance to small firms in procuring contracts from the government and subcontracts from larger business.

Our agents sit in with procurement officers for the Armed Services and they jointly determine what contracts, offered for bids, should be set aside as eligible for bidding by small firms, only. We hope to show a marked increase from the 15% of government orders which currently go to small concerns. In the last 10 months, joint determinations totaling more than $225 million have been made through the efforts of the Small Business Administration and the Department of Defense.

A third field in which a small concern is innately handicapped is in the ability to hire technical brains and managerial know-how. Competent management is the most important single ingredient of a business. We are working to train and upgrade the management of small businesses.

We distribute thousands of pamphlets each month on managerial and technical subjects. We employ the most skilled talents in industry to write them. Our 50 Managerial Aids — growing every month — cover a wide range of subjects: production, methods engineering, figuring break-even points, pricing policy in bidding on government contracts, materials control, accident prevention, advertising, packaging, etc.

We maintain, also, a field staff which is ever-ready to counsel with the owner of a small enterprise to find out what is wrong with his business, to find out why it is not making money, and to bring to his attention the names of qualified people who can provide detailed professional advice. We are, right now, engaged in a new project: cooperating with collegiate schools of business in organizing and promoting extension courses on managerial subjects, expressly designed for the men who own or guide small firms.

Our "students" are frequently Presidents of companies which have all the earmarks of successful concerns. These Presidents are "not too proud to learn" and that is one of the reasons they are heading up businesses which are expanding. One such "student" remarked that he had learned enough in one lecture, alone, to save his firm $10,000 this year.

As the program now looks, it will probably be expanded to upward of 20 colleges this fall.

I have referred to the speech of Dr. Hauge. Another thing he said which industrialists should ponder is this:

"Businessmen had better prepare now with improved products and with improved salesmanship so as to play their part in the new economic advance."

That brings up another of our programs—the products assistance program. Under it we do what we can to help the small concern make up the gap between what he can do in respect to research and development of his products and what the larger concern can do.

Here is an interesting sidelight on the importance of research and development in this technological age. Some of the largest concerns spend as much as 2% of their *sales*, each year, on this vital activity. In all the time before 1946, American industry spent a little more than $4.6 billion on organized research. But in the last eight years, industry has spent $9.5 billion on research—more than double the amount for the previous 170 years. All this is in addition to the $11 billion the government has spent on research in the same time—again double what it spent for that purpose in the whole period before 1946.

Heads of large manufacturing firms realize that research is what makes the product go. They have to be well up in the research and product-betterment race to survive at all. If they are to succeed and grow, in a big way, they have to be a step ahead of all competition in this vital field of research and development.

Now, what can the small manufacturing company hope to do about this? It doesn't have surplus and reserves in the millions to implement such programs. And yet, it needs to be constantly improving its product, making it more attractive to the public, or be ready to bring out a new product in case its present product falls by the wayside.

The competitive race is what helps to build America and to make it the mass-production wonder of its age, but it is hard on individual companies which can't keep the pace.

So what can the smaller manufacturer do about all this?

There's no use pretending that

Continued on page 25

Dealer-Broker Investment Recommendations & Literature

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

Aircraft Equities—Analysis— with special reference to **Lockheed Aircraft Corporation**—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

Highways Unlimited—Analysis of companies benefiting from construction—with particular reference to **Alpha Portland Cement Co., Bucyrus-Erie Co., Caterpillar Tractor Co., Penn Dixie Cement Corp.** and **Westinghouse Air Brake Company**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

Japanese Plastics Industry—Analysis in June issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 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.

New York City Bank Stocks—Comparative figures at June 30, 1954—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Northern New Jersey Banks — Current report — Parker and Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

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.

Rail Stocks—Analysis of standing — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Selectively Bullish—Discussion of market areas which may see additional rise—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Steel—Analysis with particular reference to **Armco Steel Corp., Bethlehem Steel Corp., Republic Steel Corp.,** and **U. S. Steel Corp.**—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Sugar Quotas-Distribution 1948-1954 — Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

Uranium—Booklet—Nesbitt, Thomson and Company, Limited, 355 St. James Street, West, Montreal, Que., Canada. Also available is an analysis of **Anglo-Canadian Pulp and Paper Mills, Ltd.** and **Royal Bank of Canada.**

* * * *

American Hospital Supply Corporation — Analysis — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available on **Baxter Laboratories, Inc.**

American Motors — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Olin Mathieson Chemical Co.**

Brunswick Mining & Smelting—Analysis—H. C. Flood & Co. Limited, 360 St. James Street, W., Montreal, Que., Canada.

Central Public Utility Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Chrysler Corp.—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin is data on **Foote Mineral.**

Cobalt Consolidated Mining Corp., Ltd.—Bulletin—Aetna Securitnes Corporation, 111 Broadway New York 6, N. Y.

Du Pont-Allied Chemical—Comparison—Pershing & Co., 120 Broadway, New York 5, N. Y.

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

Hagan Corporation—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Hycon—Circular--Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 6, N. Y.

Missouri Pacific Railroad Co. — International-Great Northern Railroad Company—New Orleans, Texas & Mexico Railway Company—Analysis—(Bulletin No. 170)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Consolidated Engineering Corp., Humble Oil & Refining Co.,** and **Western Natural Gas Co.**

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

Saaty Fuel Injector Corporation—Analysis—Stamrowe Trading Co., Inc., 96 Wall Street, New York 5, N. Y.

Southern Nevada Power Company—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, Calif. Also available is an analysis of **Texas Eastern Transmission Corporation.**

Tempo Aircraft Corporation—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Western Union Telegraph Co.—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

F. W. Woolworth Co.—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Worthington Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Yale & Towne Manufacturing Co.—Memorandum—Walston & Co., 35 Wall Street, New York 5, N. Y.

Continued from page 2

The Security I Like Best

for the company's products, the management several years ago embarked upon a broad diversification program. This resulted in expanding markets with the result that Robertshaw-Fulton now services almost all industry. Industrial controls and thermostats now account for a substantial portion of the company's volume. This market can be expected to continue to assume increasing importance in the future.

Furthermore, the new technology of "automation" which is attracting attention of all industry at present could have a significant impact in increased demand both for the controls produced and for the electronic instruments being developed by the company. In this connection, it is important to bear in mind that the primary beneficiaries of this trend toward automation could be the manufacturers of automatic controls, regulators and instruments.

The basis for Robertshaw-Fulton's constant growth in business has been its ability to develop new and improved controls for the products and markets which it has been serving. Due to this policy of constantly improving their products and finding new uses for control devices, Robertshaw's sales volume to markets such as kitchen ranges, gas, space and water heaters, clothes washers and dryers, dishwashers, as well as in the automotive, commercial and industrial fields, have steadily increased.

The company also has participated in defense production both during and since the war. It believes that such production will continue to play an important part in its overall operations. Most of the defense research has been concentrated on components for the aircraft and guided missile program. The increasing use of electronic and automatic devices in these essential fields should enable Robertshaw-Fulton to act as a primary and continuous source of supply.

In conclusion, I would like to emphasize that Robertshaw-Fulton should also soon begin to realize further benefits from the broad development program which was instituted several years ago and which has been implemented since. In summary, the major elements in this program are:

(1) A definite program of increasing research activities. A new research center was completed early this year and the research budget has been increased substantially. (Two dramatic new products for gas ranges, the "Pot-Watcher" and "Temp-N-Time" are tangible results of this increased emphasis on new product development.)

(2) The new laboratory at Anaheim, Calif., is increasing its research in the aircraft and guided missile field.

(3) The Fielden Instrument Division is making steady progress in the development of a complete line of electronic instruments and soon should contribute profits instead of losses.

(4) The company recently obtained an additional $8,000,000 to finance a plant expansion program and for increased working capital which should enable it to increase plant capacity by approximately 35%. Inasmuch as this new plant capacity will not be in volume production until 1955, the company's earnings have been penalized by the cost of these additional funds during this transition period.

(5) In addition to the increase in capacity provided by the new plants, a substantial reduction in manufacturing cost from these modern facilities is anticipated.

(6) Robertshaw-Fulton appears to be in a most promising position to capitalize upon the growing trend toward automatic operations in both the home and factory.

(7) In contrast to Minneapolis-Honeywell, the common stock of Robertshaw-Fulton is selling for approximately eight times estimated 1954 earnings whereas Minneapolis-Honeywell is selling for approximately 22 times its estimated earnings.

In view of the foregoing, plus the fact that around current prices (27; New York Stock Exchange) Robertshaw-Fulton yields approximately 5.5%. I feel that the stock has important potentialities for future improvement.

Gearhart & Otis Wire To F. J. Morrissey

Gearhart & Otis, Inc., 74 Trinity Place, New York City, announce the installation of a direct wire to F. J. Morrissey & Co., Philadelphia.

George Nelson Joins George A. Rogers Co.

George Nelson is now associated with George A. Rogers & Co., Inc., 120 Broadway, New York City, traders and dealers in inactive stocks and unlisted securities.

Mr. Nelson has a wide knowledge of Wall Street, having started in the financial district in 1907. He operated his own firm, George Nelson & Co. from 1921 to 1942.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Russell C. McMahan is now with Barrett Herrick & Co., Inc., 418 Locust St.

COMING EVENTS

In Investment Field

July 29, 1954 (St. Louis, Mo.)
Security Traders Club of St. Louis summer outing.

Aug. 7, 1954 (Chicago, Ill.)
La Salle Street Women "career party" at the Lake Shore Club.

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.

Our Foreign Aid Program In Need of Change

By HON. HERBERT B. WARBURTON*
U. S. Congressman from Delaware

Republican Congressman discusses certain aspects of our foreign aid program. Warns, though foreign aid should be continued as bulwark against Communism, we cannot, because of it, impair the American economy—"the goose that lays the golden egg." Says foreign aid should be adjusted to economic realism, and cities example of Canada in producing locomotives, and then giving them to India, in lieu of a cash gift. Concludes foreign aid can be a two-way street.

I propose to discuss with you for a few minutes certain aspects of our foreign aid program. That program, as an implement of our position of world leadership in the tremendous struggle with Communism, is a matter which vitally affects our economy, our people and their well-being. It can be a two-edged sword which will defend and support our Allies, while it cripples us, and it is needless for me to remind any of you that once our economy is crippled, the defense and support of our Allies is gone, even despite the tremendous strides their economies have taken in rehabilitation and recovery.

H. B. Warburton

The huge potential of our economy continues unimparied today. It is true, indeed, that we have unemployment today, and it is equally true that we have shifted our industrial plans from high-pressure all-out defense production, as it is true that business indices generally show that the levelling-off process is in progress. So, also, it cannot be denied that the change-over occurred at the highest peak this nation's industry had ever reached.

Yet, those of us who believe that the individual is entitled to an opportunity to be employed cannot deny that his unemployment is his tragedy and ours, in exactly the same way that we must also believe that this nation falls far short of realizing its tremendous capacity for peacetime production, if we do not make every effort to employ the individual and to expand our production. Certainly, both the employee and the employer have that one goal in common: to create a mutual opportunity for performing gainful work.

Let us take the field of foreign aid. Here we can find an opportunity, both to defend ourselves and to assist our Allies to strengthen their positions.

The President has made it clear that this program must continue as a vital and necessary bulwark in the fight against Communism, and I subscribe fully to his support of it, as my votes in the Congress will show. Its continuance is, as President Eisenhower calls it, "enlightened self-interest."

But, in its administration, we must also be "economic realists." We cannot "kill the goose that lays the golden egg" — and that goose is, in all the world, the American economy.

Our foreign aid program was initiated on a rather more cynical basis of realism some $40 billion ago; if France and Italy and Greece and Turkey and England were, at the program's inception, unable to borrow what they needed to make them strong in our joint struggle against Communism, we gave them what they needed—and it was just that simple! We needed them—as they needed us—and we willingly gave.

But the program then—as now—was not a one-way street. Our contribution of money to any nation requires that it put up an equal amount of its own money in what is called "counterpart funds." Our money contributes to world-wide acceptable currency with which to stimulate our Friends'. Their counterpart funds are used to create domestic benefits in their own nation to forward the well-being and economic ability of their own people. Thus, if we advance $10 million to India to buy steam locomotives, India, in turn puts up $10 million to build dams, to reclaim farmlands, or to provide housing, whatever the need may be. Thus India fights Communism at the source of its particular danger—in its homeland—by removing the conditions which make people lean toward the promises of Communism.

It is claimed that the program contains many abuses, at home and abroad. Be that as it may, no one party can claim credit for its good nor cast censure for its faults, because it is a program that belongs to all of us. So, it is our common weapon created from our common contribution.

But today's program dare not be yesterday's program, anymore than today's necessity for it is yesterday's necessity. After the war, the greater part of the free world was devastated physically and prostrated economically. The degree of postwar needs was measured by the urgency of Britain's request upon us for an emergency $3 billion loan to shore up her economy. The aid program's original purpose was to bolster and reconstruct tottering economies of our friends in order to build resistance to Communism.

Today, these economies are no longer tottering, and the world's condition has changed since the Marshall Plan came into being. The Japanese economy is getting back to a peacetime productive basis. England and France are moving rapidly ahead. And I may say that the strides which West Germany, Greece, and Turkey—firmly our Allies—have taken are heartening indeed.

The American economy has also changed during that period. The President has reduced government expenditures on every hand. The budget has been slashed and taxes have been cut. True it is that the budget has not yet been brought into balance, but progress has been made toward this end.

Through American generosity and American efforts the world is regaining balance and is presenting competition which our industries must meet from German, Japanese, British and other industrial plants in every deal we seek. The plan worked well.

The first phase is done.

The second phase must now begin.

This Administration has not forgotten the goose that lays the golden eggs as far as our domestic affairs are concerned. It is now time to apply the rule of "economic realism" to our foreign aid.

Canada's Policy

Let me take an example of how our good neighbor to the North—Canada—has adjusted to economic realism in ths regard. For, Canada too, just like us, has a Foreign Aid Program although it isn't as vast in amount as ours nor is it as highly publicized. But let us look at their method of operation as opposed to our own. And Canada is able to balance her budget, so it might be a healthy thing to peer through windows into the house of our next-door neighbor.

The nations of the British Commonwealth met at Colombia in Ceylon to consult as how best to help India. India needed locomotives and Canada agreed to give her $26 million for the purchase of locomotives. But, said Canada, you have to buy them in the Canadian market, because we have need for the work in our factories. India objected. Why? Because, said India, if you give us $26 million worth of locomotives which we could have purchased in Germany or in Japan or in Austria for $20 million, we have to put up counterpart money equal to $26 million instead of the lower figure of $20 million. And that's a lot of money. So Canada, always economically realistic, said: Oh, no you don't. You shop around the world and see what you could have bought the locomotives elsewhere for. Ask Japan and Germany and Austria and England what they would have charged you. And then put up, as counterpart money, only that amount that you would have paid for them elsewhere.

But — added Canada — we are giving you this money and these locomotives. Our first interest is our own interest. We are first of all interested in Canadians, in our own working men, in our own factories, in our own well being. If we don't look after ourselves first, we soon won't have the money to give away to you. That is now known as the Colombo Plan. And Canada is thriving. And India is getting her locomotives free. And Canada has gained work and more money at home with which to continue her helpful giveaway program.

Are We Being Economically Realistic?

Now, what about America? Are we being as economically realistic? Let us take an exactly similar case, for the purpose of an example. Right now, the United States has allocated $20 million to help Indian railroads—$10 million for boxcars and $10 million for steam locomotives. So the case is pertinent.

The bidding is now out for this work. Bids have been invited from America, Germany, England, Austria and Japan, perhaps other countries as well. The Congress has allocated the money. The regulations under which it is spent are a responsibility of the Executive Branch. Those rules were established under past Administrations — under different economic conditions than those of today. But those same rules still prevail. Is that wise? Have we learned anything from Canada's example?

On Aug. 6 next, these bids will be opened. It is a foregone conclusion that no American industry can compete. The boxcar builders of America, so I am told, have declined ever to bid. They need the business urgently. They have serious unemployment problems. Their peripheral industries, from steel to groceries and automobiles and shoes, need continued incomes. But they won't bid! "Why," say they, "should we? With the American standard of living; with the American rates of pay; with the American taxation—we cannot compete. We cannot fight against Japanese, or Austrian, or German standards of wages or governmental aid to their own businesses. So we cannot bid. We cannot compete."

On the steam locomotive side, American companies are bidding. But they know that, with the higher wages, taxation, and other costs here, they will be 35 to 40% higher than the Austrian, or German or Japanese bids. "We are helpless," they say. This situation affects thousands of workers, of grocers, shoe salesmen and other merchants. It affects not only industry but labor.

I am not ashamed to call myself an "economic realist."

It is realistic to do what Canada has done successfully. It is beyond the realm of theory. It is a proven fact. Canada has full employment in this industry and India has her locomotives—free.

Foreign Aid Can Be a Two-Way Street

This example proves that foreign aid can be a two-way street. The donor can protect its own industries and the recipient can get full benefit. This is economic realism in its finest sense.

There are naturally, arguments against this course. If we give India the financial ability to secure the locomotives in Germany or Austria or Japan, we will kill two birds with one stone. India gets locomotives and Germany or Austria or Japan gets the work—and we help both nations with the same money. This is sound and intelligent — depending on economic conditions at home. Wherever possible, we should continue to place the work abroad.

But—while there is an American industry which needs work—and while there are American workers who want to but cannot find jobs—we must be certain that both have the first opportunity to secure any work which is created by the dollars of American taxpayers.

Let's keep working so we can keep giving!

*From a talk by Congressman Warburton before the National Republican Club, New York City, July 19, 1954.

Irving J. Rice on Trip to Europe

Irving J. Rice

Irving J. Rice, Irving J. Rice & Company, Incorporated, St. Paul, Minnesota, is leaving July 30 for a two months tour of Europe.

Arthurs, Lestrange to Be NYSE Member Firm

PITTSBURGH, Pa. — Addison W. Arthurs, partner in Arthurs, Lestrange & Co., 2 Gateway Center, on Aug. 5 will acquire a membership in the New York Stock Exchange, and the firm will become a New York Stock Exchange member, in addition to membership in the Pittsburgh and Midwest Stock Exchanges. Other partners are George E. Lestrange, Charles G. Peelor and James S. O'Neil.

Discuss Outlook for Retailers

Merchandise leaders predict firm and improving market, based on greater values, and style appeal. Believe price stability is warranted. Sears executive maintains optimistic outlook for furniture business is warranted in view of satisfactory employment at high values.

Wallace L. Crawford; Richard B. Spelshouse and Fred C. Hecht

The following summarizes a press conference at the International Home Furnishings Market, the Merchandise Mart, Chicago, Ill., June 23, 1954:

By WALLACE L. CRAWFORD
President, John A. Colby & Sons

I think this market is a firm market. The emphasis is on greater value, in new design, and details—more eye appeal to give the customer more for the dollar spent. Competition is reviving, and the law of survival of the fittest.

We are going to lower our inventories this year on the basis of being able to get quicker deliveries, quicker fill-ins, and do more selective buying. This means we are not worried about the future. We think business will be good; in fact, we have placed some of the biggest orders for this summer season than we have placed in several years. That isn't in conflict with lower inventories, because we are lowering fringe items so we can go after the things that we have confidence in.

* * *

By FRED C. HECHT
General Retail Merchandise Manager,
Sears, Roebuck & Company

Herewith are Sears, Roebuck & Co.'s views regarding current furniture sales, prices, styles and features; the outlook for the balance of 1954 and Sears' buying policies.

I.
Recent and Current Trends in the Furniture Business

Sales: Sears, like most other furniture retailers, have shown substantial sales decreases for several months. Definite improvements in the sales trend have been showing up, however, recently and sales currently are approximately the same rate as last year.

Prices: In spite of the decline in sales volume there has been very little weakening in manufacturers' selling prices. Competitive conditions, however, resulting from the decline in retail sales have necessitated numerous reductions in retail prices. In addition to price adjustments, which probably have amounted to 2% to 3% lower selling prices during the past few months, Sears, like other retailers, has found it necessary to promote more aggressively. It should be noted that special merchandise at lower than the average manufacturing mark-up is being offered by manufacturers for this purpose.

Styles: Furniture styles have not changed radically during the past year. Modern has continued to grow in importance, and our public continue to show a preference for light finishes.

II.
Furniture Outlook for the Balance of 1954

Sales: Sears is optimistic and expects an increase in furniture sales during the coming fall season. We base our optimistic outlook on the following:

(1) New homes are being built at a rate in excess of one million per year. This assures continuance of a major source for the demand for furniture.

(2) The record-breaking birth rate during the last few years produced a crop of babies who are now coming into an age that requires the expansion of living facilities such as, sleeping equipment, dual purpose living room equipment, etc.

(3) The replacement market, of course, remains the greatest field for the development of furniture sales. This market is greater than most of us realize. The housewives in the homes of America want the new styles, new colors and the additional utility of today's new furniture. Thanks to the great homemaker's magazines, the desire for our products is at least holding its own compared with other lines of merchandise, and we are inclined to think that it is outdistancing the desire for many other lines.

(4) While there are some soft spots in our economy, the number of people employed at high wages is great enough to support an optimistic outlook for the furniture business.

(5) Last year at this time, stocks were being driven down, assortments poor or broken and selection limited by inventory pressures of one sort or another. Wiser handling of this problem alone this year could account for a satisfactory improvement in volume.

Prices: We have not found general price reductions at this market. As previously indicated, some savings in costs undoubtedly have been realized here and there by manufacturers through slight savings in raw material costs, or by improvement in labor efficiency and reduction in overhead expense. We doubt, however, that the resulting reductions are great enough to have an important impact on retail selling prices in most classes of merchandise. Instead of widespread reductions in prices, it would seem more appropriate at this time for manufacturers and retailers to increase the value of their products without changing the day-to-day selling prices of regular lines and then offer promotional models at reduced prices for those people who are looking for bargains.

Styles: As most furniture manufacturers know, it is Sears policy to use exclusive designs. It is an important part of our furniture merchandising program and as such will continue. In spite of this, however, we are of course interested in the new styles being shown, which will naturally influence our future planning and buying.

Our appliance business is very good, and better than our furniture and rug and home furnishings business. In spite of discount houses, and the so-called keen competition that exists there, our meeting and beating those people in many instances has produced the desired results, which is one of the basic reasons why we feel that good planning and sharp pricing is the answer to getting business in fall, 1954. Were we doing, or following the same policy as aggressively in some of our other lines, our business would be correspondingly good there. And as fast as we are able to adopt that policy in those lines where the business is not as good as it is in the major appliances, we feel that we will have correspondingly satisfactory results.

* * *

By RICHARD B. SPELSHOUSE
Merchandise Manager, Home Furnishings, Joske's of Texas

Prices now give a customer more for her money. Everyone has come down a little bit more on the medium price ranges, building more into them.

We will try to keep our inventories down and we will certainly eliminate some of the fringe items which we put in, in an effort not only to cover the floor but cover the sales field. We are going to place our money in things which we hope are best sellers.

As far as this market is concerned, we are going in and buying only normal requirements. There is a raise in price in the floor covering industry that will be 5 or 6% pretty much across the board.

There seems to be no economic justification at all for a price raise in the floor covering industry at this time, and I believe that the public simply won't stand for it. The floor covering business today is a very competitive business, believe me. I don't think, in spite of what they are talking about, that a price rise is going to be general. I think they may do this: They may raise a few prices, or a few lines within a structure, in order to get themselves a little more profit, but I think they will still keep an eye open for what the other fellow is doing, and pretty well level off at a price which the consumer will stand for.

J. T. Martin With Shearson, Hammill

DALLAS, Tex. — The firm of Shearson, Hammill & Co., member of the New York Stock Exchange and other principal exchanges, has announced that Jake T. Martin is now associated with the firm as manager of its Texas municipal bond department in the Dallas office, Fidelity Union Life Building. Mr. Martin was formerly with Equitible Securities Corporation.

Dreyfus to Admit

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on July 29 will admit Jack J. Dreyfus, Sr., to limited partnership. Otto Hirschmann will retire from the firm on July 31.

Atlantic Assoc. Opens

WASHINGTON, D. C.—Atlantic Associates Brokers & Dealers has been formed with offices at 1424 K Street, N. W., to conduct an investment business. Robert C. Snow is a principal.

Business Outlook Favorable: Millians

Vice-President of Commercial Credit Company, Baltimore, Md., says despite adjustments going on in the economy, business activity as a whole is relatively stable.

Speaking at the International Consumer Credit Conference in San Francisco, Calif., on July 19, Paul M. Millians, Vice-President of the Commercial Credit Company, Baltimore, Md., expressed the opinion that despite adjustments in the economy which have been going on since late 1953 and some contradictions in the current situation, the business outlook is fundamentally favorable—not unfavorable.

Paul M. Millians

"There are local problems of recession," Mr. Millians said; "communities, industries, individual businesses, are having their problems of adjustment from a war economy to a semi-peace. However, total measures for the economy are relatively stable. The recession isn't receding as it has in past patterns when adjustments were clearly under way—as the 'London Economist' expressed it recently, 'Normal repercussions are not repercussing.'

"There are several reasons why this is so," Millians said, "and the same reasons give support to the favorable outlook:

"Most of the 17 major depressions in the last 143 years of the financial history of the United States have been 'money panics'; sure enough 'rolling' economies, characterized by wild scrambles of bank depositors to withdraw funds, restricted deposits, restricted credit; forced liquidation of bank loans, forced liquidation of commodities for cash by solvent businesses that couldn't get credit when it was needed. All centers of disorder from which other disorders spread.

"Whatever else may topple over and carry forward some future depression; with Federal Deposit Insurance and other safeguards, keep the Federal Treasury sound and it is inconceivable that such ghastly financial disorder can happen again. There would be no cause for the mad mass of fear which in the past has generated such disorder.

"**Another reason:** Stability in ony period of adjustment depends upon reserve resources, and there is today a strong general state of reserves in business. In addition the people who compose the economy have substantial assets and savings — families of the nation hold a depreciated investment in durable goods estimated at $55 billion dollars—half the families have savings equal to a full year's income. All this gives better resistance to adjustment.

"**Something else:** The economic health of the nation is to a large extent the sum total of the economic health and vigor of individual business units. More than in past periods there is greater economic literacy in business; not everywhere, but generally, management watches trends and foresightedly plans for adjustments before they mount to full force. And American management has enormously improved marketing techniques in recent years, knows better how to make sales grow. Thus there is greater stability in individual business units—profit and survival are more secure.

"**But the biggest reason:** Our economy is sound. Industrial research and development have broadened the base of the entire economy and therefore 5-10 percentage points of decline have less of an impact. Moreover we have vast and superabundant productive power to maintain a high level of prosperity. Fundamentally considered, supply of everything constitutes demand for everything, the two are necessarily equivalent, goods still pay for goods. Ill balanced production, at times wrong proportions, is one thing. Total capacity to produce is something else entirely.

"Future bright," Millians concluded, "the only cloud is whether 'We The People'—have the courage to go forward and accept adjustments that must come in a society voluntarily organized, — accept them for the sake of its possibilities.

"We call it 'free enterprise.' Preserve this and America will continue to grow and there is assurance ahead for still greater wealth which everybody will share. No turning back the clock on legislation or government aids which serve a good purpose, but if we have to go to Washington for repeated doses of too much government aid we are certain to lose little by little our rich heritage of individualism. And the equally certain result of this will be a progressive economic anemia —less to share for everybody."

Moore, Leonard Instals Dial Quote Service

PITTSBURGH, Pa. — Moore, Leonard & Lynch, Union Trust Building, members of the New York Stock Exchange, in cooperation with the Bell Telephone of Pennsylvania, have just announced the installation of telephone equipment which will give periodic stock market information by tape recorded message.

In exactly the same manner as dialing a number for the correct time or for the weather forecast, you can now dial EXpress 1-4045 any time, day or night, for the latest report on the market trends, volume of trading and important news items.

The idea was conceived by Moore, Leonard & Lynch and to their knowledge this is the first time anywhere in the United States that telephone announcing equipment has been used for this purpose.

This is a new service available without charge to anyone interested in securing information on the activity and trends on the New York Stock Exchange.

Initially, plans call for changing the tape recording three times daily, and more often in the event of important news happenings. On Saturday and Sunday, when the stock market is closed, the firm is considering recording a market survey.

Moore, Leonard & Lynch feel that the telephone announcing stock market reports will be a useful public service not only to its own clients but to all investors in the area.

Founded in 1877, the firm is one of the oldest Pittsburgh brokerage firms and one of the leading underwriters of municipal and corporate securities. Direct wires are maintained to New York City through its wire firm there, to all major cities in the United States.

Geo. M. Sidenberg, Jr.

George M. Sidenberg, Jr., passed away at his home in Santa Barbara, Calif., at the age of 54. A former member of the New York Stock Exchange, he moved to California in 1947 and was associated with E. F. Hutton & Company.

Eccles Calls for Increased Money Supply

Former Federal Reserve Chairman favors, along with reduced taxes, a larger Federal budget deficit and increased holdings of government bonds by commercial banks.

Addressing the National Retail Credit Association Convention in San Francisco on July 19, Marriner S. Eccles, Chairman of the Federal Reserve System during the New Deal Administration and now Chairman of the Board of the First Security Corp., Salt Lake City, declared that "present economic conditions call for a substantial budgetary cash deficit brought about by a tax reduction."

Marriner S. Eccles

The Utah financial leader proposed the "kind of reductions in taxes that will increase the purchasing power of the great mass of consumers and thereby assist in the utilization of accumulating surpluses and decreasing unemployment — a debt management program that will assure an increase in commercial bank holdings of government securities and thereby increase money supply." Mr. Eccles added that there should be "a continuation of an easy money policy on the part of the Federal Reserve that will supplement these programs as well as to encourage the growth of private credit which has been decreasing."

"I do not believe we can say that the economic situation is entirely satisfactory because it is better than any year except '53, or is as good as '52," the First Security executive said. "We are in a dynamic economy and there must be a growth in our money supply and its use in order to utilize our expanding capacity to produce and consume goods and employ our rapidly increasing labor force. With our normal increase in productivity, due to technological development, we must not only maintain the present standard of living of our people, but we must improve that standard if we are to avoid unemployment and idle facilities.'

"It is more important to balance the economy so as to maintain production and employment at stable prices than it is to attempt to balance the Federal budget if the country is in a recession," Mr. Eccles said. 'I am as anxious as anyone to see the Federal budget balanced, but this can only be accomplished when we have full employment and production and a growth in private credit. I do not scorn the old precepts of thrift and frugality. Admirable as these are for the individual, they cannot be applied realistically to the country as a whole for the reason that if there were no borrowing or lending there would be no savings and there would be no business. Borrowing and lending means creating debt. We have never had in the history of this or any other country a period of prosperity without an expansion of debt, either public or private, or both. Conversely, we have never had a period of depression without a contraction of debt either public or private, or both.

"The objectives of our government should be to maintain maximum employment and production so far as that is possible within the framework of economic stability, that is the avoidance of either inflation or deflation, which would mean sound money. This can only be accomplished by a monetary and a debt credit policy on the part of the Federal Reserve System and a taxation and management policy on the part of the Treasury that will assure an adequate supply of money and its use at all times.

"As to the burden of the government debt on our children and our children's children, why not also worry about the burden of all our private debts on our children and their children, because these debts will also be passed along to future generations who will have to pay the cost of servicing or pay these costs just as in the case of the government debt. We should know that all debts, both public and private, are passed along from one generation to the next, as all assets, both public and private, are handed down from one generation to the next. It may be that some people would be less worried if there were no debts, but in that case there would be no banks, insurance companies, or other financial institutions and, incidentally, there would be no money, no production and no employment."

Edward Muir to Open Own Inv. Firm

SAN ANTONIO, Tex.—Edward D. Muir, widely known in the investment banking field and past chairman of the Texas Group of the Investment Bankers Association of America, has resigned as vice-president of Russ & Co. to form his own investment firm.

Edward D. Muir

Offices of the new firm will be located at 101 North St. Mary's Street in San Antonio, with opening scheduled for Sept. 15. Mr. Muir's associates and personnel will be announced when organization plans are further advanced.

The firm will do a general investment banking business, specializing in stocks of Texas and the Southwest and Texas municipal bonds. In addition to handling all listed and over-the-counter securities, the new firm will specialize in all services of interest and value to investors. Mr. Muir is a director of the Comfort State Bank, Comfort, Texas; the Mortgage Investment Corporation, San Antonio; and the Mitchell Brewing Company of El Paso, Texas.

Cantor, Fitzgerald to Handle Municipals

BEVERLY HILLS, Calif. — Announcement has been made of the purchase of control of the Lakeside Corporation of Chicago, dealers in municipal bonds, by Cantor, Fitzgerald & Co., Inc., and associates. Cantor, Fitzgerald & Co., Lakeside Corporation, and the Gibraltar Financial Corporation of New York City are now connected by a direct wire.

In addition to acting as underwriters and distributors of general investment securities, the firm will now handle United States Treasury bonds, municipal and revenue bonds, including turnpike issues.

Kelleher Forms Co.

WASHINGTON, D. C.—Thomas M. Kelleher has formed Kelleher & Company with offices in the Albee Building to conduct a securities business.

Financing Through Public Stockholders

By PHILIP H. SMALL*

Vice-President, Finance, Pacific Intermountain Express Co.

Financial expert, maintaining troubles of truck-line industry have been largely due to the much greater railroad stockholdings, also points out advantage of shareholders as customers and salesmen. Cites tax and other benefits from establishment of liquid securities market. In quest for public stockholders Mr. Small advocates substantial earnings, reasonable offering price, stock distribution in territory served, full and continuing information to shareholders, and constant dividend payments.

The subject of my talk, in slightly expanded form might read, "Why trucklines **should** have public stockholders and how to get 'em."

P. H. Small

Obviously, there is no use giving you suggestions of how to get 'em unless you are first convinced that you want 'em. As the salesmanship experts tell us, you have to create desire before you can get action. So let's consider why truck-lines should have public stockholders.

We can all agree, I am sure, that the trucking industry needs more friends among the voters, and that the American voter votes with his pocketbook. If that were not the case, we would not have these mad scrambles to cut taxes in election years. So, one reason to have public stockholders for truck-lines is to have more voters who are personally, financially interested in seeing that trucklines get a square deal when it comes to assessing the cost of the highways that everybody needs.

The ten truck-lines with publicly held stocks now have, as a guess, 12,000 to 15,000 stockholders. The other 2,200 Class I truck lines, family corporations for the most part, certainly don't average over ten stockholders apiece; so so there are probably less than 35,000 stockholders of Class I truck lines today. If all of these lines had one stockholder for each $15,000 of gross revenue, which is the average for four of them that are publicly held, the Class I truck-lines would have 250,000 stockholders instead of less than 35,000.

We still wouldn't be up to the railroads, who have 756,000 stockholdings. But if we had the voters of another 200,000 families financially interested in seeing that truckers get a square deal, it would be a tremendous improvement.

You can be positive that a good part of our troubles in recent years can be linked to the fact that railroad stockholdings have been able to outvote truck-line stockholdings by 22 to one.

Besides the advantages of stockholders as voters, they have great merit as customers and salesmen. When investors diversify, they usualy diversify as to industry and geography as well as to company. Consequently, it is very rarely that an investor will own stocks of two companies that compete for him as a customer.

The stockholder will usually let his investment guide his purchase of goods and services, other features such as price and quality being equal. I can identify a large percentage of our company's stockholders as being among our regular customers.

While we think that stockholders **tend** to become customers, we question the wisdom of trying to make stockholders **out** of customers, if they are customers **first**.

The customer who becomes a stockholder, particularly if encouraged to become one, is prone in some instances to demand an extraordinary degree of service that will profit him as a customer, to the detriment of himself and others as stockholders. On the other hand, we do not seem to have that experience with stockholders who become customers of their own volition. For this reason we neither grant the occasional requests to supply lists of our customers as prospects for our stock, nor give our salesmen the names of our stockholders to use for traffic solicitation.

Profitable Stockholding Stimulates Salesmanship

The stockholder is a good salesman for you, especially after his investment has proven profitable. He may have no freight himself, but he will do a considerable amount of word-of-mouth advertising for you.

We very definitely have a larger share of the available traffic, in relation to the amount of competition there is, in those areas where we have a large concentration of holdings of our stock.

Another very valuable tyype of stockholder is the employee stockholder. A good many privately owned companies have some stockholders among their employees and executives; but unless your stock ownership is sufficiently dispersed so that there is a reasonably active market and a published quotation, there is little desire on the part of the employyee to become a stockholder.

Generally speaking, the smaller the stockholder, the more liquidity he requires, because his invested reserves are more likely to be drawn upon for emergency needs.

We have company stock purchase plans in our company in which 180 employees are now

Continued on page 28

*A talk by Mr. Small before the Accounting and Finance Council, American Trucking Associations, Minneapolis, Minn.

Background and Reasons For End of Business Decline

By GARFIELD V. COX
Robert Law Professor of Finance, University of Chicago
Chairman of Board, South East National Bank, Chicago

Professor Cox discusses reasons for business decline, the factors controlling its extent, and the grounds for believing that downward trend will end this summer. Finds continued large spending for national security and substantial Federal budget deficit as sustaining factors in business activity, along with a completion of the trend toward inventory reductions.

The chance appears fair that the general business decline which began a year ago will end this summer. Should this occur, the current contraction will have been one of the mildest on record.

Garfield V. Cox

Why has there been a decline? Why has it been so moderate, and what are the reasons for thinking that it may have about run its course?

Probably the most important reason for the decline has been the reduction in the annual rate of Federal Government spending for national security. From the second quarter of 1953 to the first quarter of '54, this large segment of our gross national product declined 12%.

A second reason was that during the first half of '53 retail sales failed to increase with the rise in output. Business also reduced its spending for equipment by 6%.

The foregoing trends led business to shift from accumulation of inventories at an annual rate of $6.3 billion in the second quarter of '53 to reduction of them at a rate of $4.8 billion in the first quarter of '54. Since retail sales of goods to consumers also declined moderately after the middle of '53, this has meant substantial cuts in manufacturing output and employment.

Why have these depressing factors had only a scattered effect upon particular industries and communities instead of generating a downward spiral of the whole economy? It is because several counteracting factors came into play, some by design, others by chance. One of the promptest actions was that of the Federal Reserve Board in shifting from a tight money policy to an easy one. State and local government spending happened to be in a strongly rising trend. From the second quarter of '53 to the first quarter of '54, they increased the rate of their spending for goods and services by 10%. Federal purchases of goods and services for purposes other than national security rose by $1.2 billion. Taxes were reduced so that both consumers and business firms had a larger share of their incomes left to spend.

Although business curtailed its buying in order to reduce inventories it did not in most lines dump goods at cut prices. It is extraordinary for the index of wholesale prices to remain steady in the face of a decline of more than 10% in industrial output. The failure of the price index to fall during the past year is due partly to the circumstance that the index of 22 sensitive commodities had already suffered a great decline for almost 30 months following the speculative peak reached in the first year of the Korean War. In fact this index has risen 6% this spring in response to government stockpiling of critical raw materials, the Indo-China crisis and the high level of manufacturing in most industrial countries.

Another reason why wholesale prices have been stable the past year is that in 1952 and the first half of '53 the price level of farm products had already dropped 13%. The fact that highly organized labor has been able to keep wage rates advancing in manufacturing industries in the face of shrinking employment also tends to increase resistance to price cuts. Another factor has been the confidence reflected in and fed by the persistent strength in common stock prices.

Though business reduced its buying of equipment, this has been largely offset by increase in commercial and miscellaneous construction and by strong demand for new housing.

Although between the second quarter of '53 and the first quarter of '54 consumers reduced their rate of purchase of goods by $4.2 billion, they increased their spending for services by $3.7 billion in the same interval. They were easily able to do this because, for consumers as a whole, the small decline in personal income had been offset by reduction in personal taxes and increase in unemployment benefits.

Reasons Why Business Decline Is Ending

What are the grounds for thinking that the business decline will probably end this summer? Two of them are in themselves regrettable. One is that, with international tension so high, the recently expected further decline in spending for national security seems likely to be deferred. The other is that during the rest of '54 the Federal Government will have a cash deficit of several billions of dollars. This spending of borrowed money will strengthen the markets for goods and services.

Other reasons for moderate optimism are more constructive. One is that, with the strength registered by retail sales during the second quarter, many lines of business will have less incentive or none to cut inventories further. This will mean some increase in rate of industrial output.

Such increase might be offset during the current quarter by sharp curtailment of auto output pending the unusually early introduction of new models. But, once production of the latter is started, the index of industrial production should rise above current levels. Some lag in reduction of unemployment should be expected, for part of the rise in output will be produced by increasing the number of hours worked per week.

There are other reasons for moderate optimism. One is the recent upturn in new orders for machinery. Manufacturers of machinery express confidence that this trend will continue into 1955. Another factor is that the sale of bonds to finance highway construction is running 2½ times as high as in '53 and five times as high as in '52.

Such favorable indicators point to a gradually increasing volume of business to be won particularly by business managements that are efficient and alert.

Mid-Year Construction Review

By GEORGE CLINE SMITH
Economist, F. W. Dodge Corporation

After noting a new record in building construction in first half of 1954, Mr. Smith points out chief trends for coming months as (1) continued strength in residential construction; (2) a sharp drop in construction for manufacturing facilities; and (3) continued importance of schools as major factor in the construction boom.

During the fall and winter, when many lines of business were falling off somewhat, construction contract awards set new records month after month, serving notice that there could be no long, severe recession lurking in the immediate economic future.

Because of the great interest which has attached to this situation, F. W. Dodge Corporation in this midyear review is making available, as a public service, some of its detailed statistics which are not ordinarily released for publication.

As previously announced, Dodge Reports of construction contract awards in the 37 eastern states totaled $9¼ billion in the first six months of 1954, setting a new record 17% above the same period of last year.

A closer look at the details reveals these significant trends:

(1) Continued strength of residential construction, well beyond the expectations of most forecasters; and a strong trend toward construction of single-family homes at the expense of multi-family housing.

(2) A sharp drop in awards for construction of manufacturing facilities, which was more than offset by a sizable increase in the commercial category, so that these two groups combined, made up predominantly of business construction, showed a net increase.

(3) Continued growth in the importance of schools as a major factor in the construction boom.

Manufacturing Facilities

The post-Korea decline in manufacturing construction continued, as reflected in a sharp drop in awards for manufacturing facilities. Awards in this category in the first half of 1954 totaled $584,000,000, down 22% below the same period last year and 71% below the first-half record set in 1951.* The decline does not reflect a sharp economic downturn, however, since much of it is accounted for by the fact that large atomic energy contracts were let in the first half of 1953 and also in the first half of 1951. If these are eliminated, the decline from last year in what might be called ordinary contract awards for manufacturing facilities is only 9%.

Within the manufacturing category there were wide variations, with declines characterizing those industries which expanded the most during the Korean War, and increases in many consumer goods industries.

Sharpest decline in the awards figures was in the chemicals and allied products category, which includes atomic energy, down 72% from last year; other notable declines were in primary ferrous metals, down 56%; and non-electrical machinery, down 69%.

Contract awards for construction in several industries increased. Among them were food and kindred products, up 55%; petroleum refineries, up 49%; automotive, up 255%; and aircraft, up 67%.

Commercial Construction

Awards for commercial construction rose more than enough to offset the decline in manufacturing (even including atomic energy contracts). Commercial awards in the first six months of 1954 totaled $890,000,000, or 34% above last year, which was the previous all-time high in this category.

All types of commercial construction tabulated by Dodge were up over last year, with the greatest increase in commercial warehouses, up 95%; office and loft buildings, up 46%; and stores, up 32%.

Residential Construction

A striking feature of residential awards was a great increase in emphasis on single family homes at the expense of multi-family housing.

Contract awards for residential construction totaled $3,981,000,000 in the first half of 1954, up 22% above the like period of last year. This surprisingly large rise was accounted for primarily by an increase in awards for one-family dwellings constructed for sale or rent, which totaled $2,595,000,000 and set a new record 37% above the first half of last year. However, awards for non-speculative building of one-family houses (that is, houses built on order for owner occupancy) also increased over last year (up 7%) and at $802,000,000, approximately equalled the record set in the first quarter of 1951.

Awards for apartment construction continued the steady decline which has shown up each year since the 1951 peak in this category and the total of $344,000,000 was 11% below the first half of last year. Hotels and dormitories increased over last year, up 53% and 41%, respectively. These two categories together totaled $113,000,000.

Awards for two-family houses made up a relatively small part of the total, only $78,000,000, and had declined 15% below last year.

Other Categories

Schools: Construction of school and college buildings continued to increase in importance. In the first half of 1946, this category accounted for only 4% of all non-residential awards; in the same period last year, it had increased to 25% of all non-residential; and this year it reached 27%.

Awards for school and college buildings in the first six months of 1954 totaled $936,000,000, a new record for the six-month period and 29% above the first half of last year.

Hospitals: Contract awards for hospital construction reversed a three-year decline and jumped 54% above last year. The total of $232,000,000 was still well below the peak reached in the first half of 1950, however.

Churches: The great growth in construction of churches and other religious buildings is reflected in an almost unbroken increase in contract award since World War II. The total of $222,000,000 in the first half of 1954 is 28% above the same period of last year and 498% above the first half of 1946.

Public Works: Awards for public works totaled $1,367,000,000 in the first half of 1954, up 11% from the first six months of last year, setting a new record for the period.

Utilities: Contract awards for the construction of public and private utilities in the first six months of 1954 totaled $496,000,000, well below the record set in the first half of 1952, but 6% above the first half of last year.

Since construction contract awards precede actual construction, the record levels of awards during the first half of 1954 indicate that construction activity during the remainder of the year, at least, will be at very high levels. This will be reflected directly in construction employment and payrolls and in sales and shipments of construction materials. Indirectly, the effect will spread through other fields of activity as a powerful upward force, since this $35-billion-a-year industry is one of the mainstays of the national economy.

*All data in this analysis refer to the January-June periods of the years specified. All are totals for the 37 eastern states.

Golden-Dersch Co. Opens

Golden - Dersch & Co. Incorporated is engaging in a securities business from offices at 29 Pearl Street, New York City. Irwin Dersch is an officer.

Form Federal Inv.

WASHINGTON, D. C.—Federal Investment Company has been formed with offices at 1740 K St., N. W. Jack B. Maylard is a principal of the firm.

The Beginning of Wisdom?

"While reported costs is necessarily an important factor, it cannot be the deciding factor in comparing the operations of a Federal agency with a private organization.

"There are many activities now performed by private enterprise for the Federal Government which the government, because of its freedom from taxes and its enormous credit resources, could seem to perform more cheaply under a concept that nonpayment of taxes by the Federal Government is a true saving in cost.

"This concept ignores the consideration that when a commercial-type operation does not pay taxes, it leaves a larger amount of taxes to be absorbed by other taxpayers. If this concept were accepted and if it were also considered sound to provide funds through government borrowing, the government might propose to take over these activities on grounds that they would cost less under government operation. Such action would be contrary to our basic conception of a private enterprise economy."—U. S. Budget Bureau.

No Federal Government agency has talked quite in this way for a long time.

Money and Morals

By LESTER O. SCHRIVER
Managing Director
National Association of Life Underwriters

Life insurance economist, warning we have in a way become victims of the philosophy of the "Nurse Maid State," recalls that depreciated currency has resulted in the disintegration of governments and the death of civilizations. Says money and morals are twin virtues, and when one is abused, the other also is destroyed.

This thesis has been in the process of incubation for a long time, and if I don't get it out of my system it is apt to become malignant. It may be that an employee of an association like the National Association of Life Underwriters has no right to express himself on a matter which may be political in its implications, but if this be treason — then treason it must be.

Lester O. Schriver

As a matter of fact, this organization has often gone on record in favor of sound money, but in recent years we have appeared to become more complacent. Indeed, it would sometimes seem that we have become, in a measure at least, victims of the philosophy of the "Nurse Maid State."

It happens that for many years I have been something of a student of economics and the history of economic systems. It seems to me that there is a close parallel in the reasons for the disintegration of governments and the death of civilizations. Whenever civilizations have died you will find certain symptoms common to each demise. It is my observation that there has always been a close relationship between the debasing of money and national morality. A debased currency is a dishonest currency. It is a falsehood. It is immoral, deceptive, and destructive. It will ultimately ruin any nation—even our beloved America.

Why Nations Collapsed

History is replete with the broken promises of nations, and the ruin that follows. It always begins with the tampering with the value of money. Ancient Egypt tried it. The Pharaohs decided they could mix their gold coins with baser metals. But a coin half gold and half lead was still only half gold and therefore, only half as valuable as pure gold. Rome tried a new angle; when the Caesars needed more money they filed notches in their coins and made new coins from the salvaged metals. But they found that the multilated coins were only worth their "weight in gold."

In modern times France and Germany, to say nothing of China, tried to increase money by the printing press method. Promises with no means of backing them up. When there is no honest, hard, sound money to back up a promise to pay the economy collapses and the nation perishes.

There is a law in economics known as Gresham's Law, which tells us that bad money drives out good money. It follows, as night follows day, that when you debase money morality goes out the window, and the nation begins to die. It always has, it always will.

Thirty-five years ago the French franc was one of the most stable currencies in the world. Five francs was worth a dollar anywhere. Then France, in her desperation, began debasing her currency. She said—let's double our money by inflating it—and it took 10 francs to buy a dollar. That seemed such an easy way to make money that she tried it again. Well, it's been a wild ride—today it takes about four hundred francs to buy a dollar, and France is facing economic collapse.

What has all this to do with life insurance? Well, life insurance is a promise to pay a certain sum in dollars at a certain date in the future, or under certain contingencies. We have a moral obligation to deliver good dollars in exchange for good dollars. Dollars as good as your premium dollars.

Devaluation Here

And this is where my ulcers come in. A few years ago my government said to me, "Our promise of gold dollars in exchange for your gold certificate is, after all, just a fiction. We will not keep our promise. We will give you in exchange only another piece of paper, the intrinsic value of which is only equal to our ability to pay." And I woke up to the fact that my paper dollar was worth only 53 cents. Half the gold coin had been filed away. For the first time I was told that my government would not keep its whole promise. And I remembered my history and I was frightened. Frightened because I have seen history repeat itself so many, many times. And I began to wonder if my country, too, was becoming a woman of easy virtue.

It seems to me that the really great contribution for the modern patriot is to dedicate himself to the proposition that our dollar shall remain worth 100 cents on every counter in the world. That, indeed, is the greatest contribution America can make to the welfare of humanity. A nation's morals and the soundness of its money are tied up in one destiny. They are one and inseparable.

And the corollary is this. Ours has been a dynamic economy. Dynamic because it adjusts itself to changing times and conditions. This nation cannot endure half subsidized and half free. It will become all one or the other.

Isn't it fortunate that our ancestors didn't require subsidies and price supports? What a fix we would find ourselves in now if all the caves in the country had been full of bustles, and ox yokes, and buggy whips. We would have no place in which to store cheese and butter and eggs and other surplus commodities.

And there is one more economic nightmare that interrupts my slumbers. It's deficit financing and an astronomical national debt. Two hundred and seventy billion dollars of debt. That means an interest factor of about $8 billion a year. It means a crushing, discouraging handicap for generations to come. Will our children pay it, or repudiate it? Perhaps I should be glad I don't know the answer to that one.

A doctor friend of mine, who is not only a good physician, but a pretty fair curbstone economist as well, told me the other day that he now knows why a new born baby cries. Here are his words: "Why wouldn't he cry—he is cold and hungry and naked and owes Uncle Sam $18.00." Facetious perhaps, but many a truth is spoken in jest.

Oh Awake, America! Let us be worthy of the heritage that is ours. And let us hold fast to the truth that civilization goes forward on promises that are kept. There is an old proverb that reads, "Righteousness exalteth a nation, but sin is a reproach to any people." It is written, "Thou shalt not steal." On the national level that means—Thou shalt not debase or repudiate thy promise to thy people. Yes, Money and Morals are twin virtues. They must be kept as twin pearls of great price or together they will be forever lost. For they are Siamese twins; they cannot live apart.

John F. McLaughlin Welcomes Seventh

John F. McLaughlin, partner in McLaughlin, Reuss & Co., 1 Wall Street, New York City, is the proud father of a son, Jeffrey Martin McLaughlin, born July 22. Mr. McLaughlin now has seven children, five boys and two girls.

John F. McLaughlin

Geo. F. Weyman Joins Courts in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — George F. Weyman has become associated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. He was formerly an officer of R. S. Dickson & Co., Inc., with headquarters in Atlanta.

With Coffin & Burr

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George A. Poole is with Coffin & Burr, Incorporated, 60 State Street.

SEC Adopts Simplified Form S-9 For Registration Of Certain Debt Securities

Securities and Exchange Commission points out, because of reduced size and other simplifications, it is expected to consider favorably a substantial shortening of the waiting period between filing and effectiveness.

It was announced by the Securities and Exchange Commission on July 21, that it has adopted a new and simplified Form S-9 for registration under the Securities Act of 1933 of certain debt securities. Numerous issuing companies and their representatives commented favorably upon the proposed Form and submitted helpful and constructive suggestions, many of which were incorporated in the Form, as adopted.

The new Form may be used for registration of non-convertible fixed interest debt securities of an American or Canadian company, if the issuer has been in business at least 10 years, has an earnings history which meets certain requirements, and files periodic reports with the Commission under the Securities Exchange Act of 1934. In announcing the adoption of the Form, the Commission stated:

"The new form reduces the informational requirements essentially to five items including financial statements of the issuer consisting principally of a five-year summary of earnings and surplus and a balance sheet, together with a brief accompanying indication of its principal business and related matters; a description of the use of proceeds of the financing; a description of the securities being offered; and offering price information. The form is based on the theory that much of the information required by the general registration form is not of material significance to investors in view of the senior position of the securities, the history of the issuer, the earnings coverages, etc., of companies eligible to use the form.

"The Commission anticipates that prospectuses and registration statements on this new form will be substantially shorter than heretofore and will, therefore, be substantially easier both for the issuer to prepare and for the Commission to process. For this reason, the Commission expects to be in a position to consider favorably, requests to shorten substantially the waiting period between filing and effectiveness. The success of this program depends, of course, on the cooperation of issuers and underwriters in preparing the registration statement so that administrative action by the Commission can be held to a minimum."

Form S-9 does not require the filing or distribution of identifying statements during the waiting period. However, it is the Commission's intention to continue to require, as a condition to acceleration, the distribution during the waiting period of "red-herring" prospectuses to each underwriter and dealer expected to participate in the distribution, in sufficient quantity to provide for reasonable dissemination of information about the proposed offering. This will not, however, apply to offerings at competitive bidding to which Rule 415 applies.

The filing of Supplement S-T as a part of registration statements on Form S-9 will be required as in the case of registration of indenture securities on other forms, until the Commission completes its consideration of the problems involved in modifying Supplement S-T with reference to all forms. It will also be necessary to file trustee statements on Forms T-1 and T-2, as heretofore.

LETTER TO THE EDITOR:

Frederick G. Shull Comments On Reid Taylor's Articles On Gold

Connecticut State Chairman of the Gold Standard League raises objections to some statements regarding a free gold market and the fixing of an official price of gold.

Editor, Commercial and Financial Chronicle:

Your issue of July 15 contains an article by Reid Taylor, entitled "Only a Free Market for Gold Will Save the Nation." A footnote at the article's close calls attention to an earlier article by Mr. Taylor in your issue of March 25, entitled "Who's Afraid of Gold and Why?" In commenting, herein, I shall take up the earlier article first.

Frederick G. Shull

The March 25 article starts out with the following quotations, which it alleges to be "statements emanating from Treasury officials, the Federal Reserve Board, and others in the financial field":

"No, we have no intention of raising the price of gold."

"The price of gold will definitely not be raised."

"Any course other than holding firmly to the present gold price and value of the dollar should be banished from our thought."

"The price of gold will not be raised because that would be inflationary."

Let me say right at the start that I pray God the Administration will have the good sense to adhere strictly to the principles enunciated in those four statements; that it will promptly carry out its 1952 campaign pledge to restore our currency to "a dollar on a fully convertible gold basis"—which it can so easily do by taking favorable action on one of the gold-standard bills now pending in Congress, such, for example, as the Bridges-Reece Bill.

In so far as a "free gold market" is concerned, I agree with Mr. Taylor that there should be such a market; but it should come into existence *only* after we have firmly established the "value" of the Dollar at $35 a fine ounce of gold and restore the privilege of "redeemability, on demand," at that fixed value. The government, of course, will not operate in the "free market" — it will merely buy and sell at the official price as it encounters demands for such sales or purchases. Others, however, will be at liberty to use the "free market" when proving advantageous to do so—just as the system has normally operated in the past. No less an authority than the late Professor Edwin W. Kemmerer maintained that there should be a "free market" for gold, operating concurrently with the Gold Standard.

I disagree with Mr. Taylor's statement that "no one living can say what is the real price for gold in terms of our paper dollars"; for, under the Gold Standard, with the official-price of gold set by the government at $35 an ounce, the "real price for gold in terms of our paper dollars" is $35 an ounce. The "market price," however, is whatever that market chooses to make it—but which will not be likely to deviate far from the official-price of $35 an ounce. This, of course, is just as it should be.

Again, I disagree with Mr. Taylor when he says: "The $35 price has actually undermined the soundness of our dollar." That is an erroneous statement. What has "undermined the soundness of our dollar" is the fact that the New Deal withdrew the age-old privilege of "redeemability"; and the Republicans have, thus far, failed to carry out their campaign pledge to restore the Dollar to "a fully convertible gold basis."

I am quite surprised that Mr. Taylor undertakes to use John Sherman to support the claim — glaringly evident throughout the Talyor articles—that there should be a higher price for gold; for, of all men, John Sherman was as strong an advocate of the Gold Standard as this nation ever had; he fathered the Resumption Act of 1875, which restored our currency to "redeemability" as of Jan. 1, 1879; and he never even suggested that the official-price of gold should be tampered with—perfectly content, and properly so, to leave it as $20.67 an ounce, as set in 1837, and, fortunately, where it remained until the dishonest devaluation of 1933.

But Mr. Taylor rightly says of John Sherman: "He knew the only honest money was money redeemable in gold"; that "He recognized the function of gold to guide the nation back to a sound currency basis"; and further praised him by saying, "To the farsightedness of such men as John Sherman, succeeding generations owe a debt of lasting gratitude."

But, again, I must part company with Mr. Taylor when he says: "Anyone who believes in common honesty in government should be eager to see gold function freely to disclose the present value of our dollar." If by "functioning freely" he means that gold must vary in price in order "to disclose the present value of our dollar," Mr. Taylor isn't speaking the language of the Gold Standard; for, under that standard, the Government sets the "value" of its currency in terms of a definite weight of gold—as it did in 1792 when it gave the Dollar a "value" of 24¾ grains of fine gold; again in 1837, when it made a slight adjustment to 23.22 grains per dollar; and, unfortunately, in 1934 when it so ruthlessly debauched the Dollar to 13 5/7 grains of fine gold. It should have been left, as John Sherman left it, at 23.22 grains of gold with its resulting well-known official-price of $20.67 an ounce. And it should now be left at 13 5/7 grains, with no tampering from here on with the "value" of the American dollar.

In his July 15 article, "Only a Free Market for Gold Will Save the Nation," Mr. Taylor rightly says: "All down through the ages gold has retained its value as a treasure eagerly sought by man but difficult to procure"; and he quotes the late J. P. Bickell as saying: "The eternal quality of its indestructibility imparts a security in perpetuity for which mankind is ever seeking"—with which no one can argue.

As to the 1952 Eisenhower platform, Mr. Taylor correctly says: "The Eisenhower platform promised the return to a sound dollar backed by gold." It is difficult to understand why the Administration is hesitating to make good on that promise—particularly in the light of the following statement made on March 29 of this year by Mr. W. Randolph Burgess, Deputy to the Secretary of the Treasury, while, strangely enough, opposing favorable action on a pending gold standard bill: "The confidence in the value of the dollar which this (the gold standard) helped instill in our people and the people of other countries was one of the foundations of the Nation's spectacular success."

Again, I agree with Mr. Taylor's statement: "Paper money is simply too easy to create." This is in line with a statement recently made on a TV program by Mrs. Priest, Treasurer of the U. S., in which she said that it costs the Government less than 1c to make a new, crisp paper banknote. Hence it is clearly seen that "paper money is simply too easy to create." Further evidence is that we today have approximately $30 billion of paper money, as against less than $6 billion before we went off the Gold Standard in the 1930's. With a return to the gold standard the Government will be likely to retire some of this excess fiat money, and be more careful in the operation of the printing presses in the future.

I disagree with the following statement by Mr. Taylor: "In all history there is not one example of paper money having retained its value for more than a brief period." Here are two excellent examples which clearly disprove that statement: From 1816 until 1914 England's paper money carried a "value" of 113 grains of fine gold per pound sterling, and was redeemable at that value; and, from 1837 until 1933, our Dollar carried a "value" of 23.22 grains of fine gold, and was redeemable at that value, excepting during the Greenback era and a few months during World War I. And throughout the greater part of that century of "sound money" these leading currencies were mutually exchangeable at $4.86 per pound sterling. Let us hope that the public will not be misled by that bit of alleged "history" by Mr. Taylor.

I agree with Mr. Taylor when he says "we should elect public servants that we can trust, - - -"; and it gives point to that Old Proverb, frequently quoted by the late Professor Edwin W. Kemmerer: "We have gold because we cannot trust governments." Also I agree with Mr. Taylor when he says: "What we need today is some clear thinking along these lines. There is very little attempt on the part of the public to even bother to try to understand the reason for a gold standard." But the solution is not a "higher gold price"; and it is not a "free gold market"—unless, and until, the "value" of the Dollar has been firmly fixed at $35 an ounce of fine gold, and the privilege of "redeemability" has been restored.

Your heading for the next to last section of Mr. Taylor's second article reads: "The Gold Standard Is Necessary for the Survival of Our System of Government." I agree with that heading, 100%; for the Gold Standard means "honesty"; and no government can "survive," any more than can an individual, that resorts to "dishonesty." Let the Dollar be firmly fixed at $35 a fine ounce of gold and made "redeemable" at that fixed value, and we shall thereby have achieved an "honest" Dollar.

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

2009 Chapel Street,
New Haven 15, Conn.

Forms Kay & Co.

HOUSTON, Tex.—M. R. Karkowski has formed Kay & Co., with offices at 2310 South Main Street to conduct a securities business.

Arthur W. Sesselberg

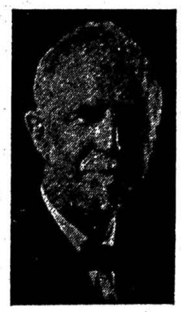
Arthur W. Sesselberg, member of the New York Stock Exchange, passed away on July 21.

Lindbergh and the H-Bomb

By ROGER W. BABSON

Commenting on the Lindbergh theory that the H-Bomb is bringing about a new era in world history, Mr. Babson recalls that it is unsettling civilization today as did the birth of printing in 1450. Holds fear of H-Bomb, like the fear of printing 500 years ago, could handicap our Western Democracies with a blow to the capitalist system. Says threat of retaliation may retard Communism, but will not accord with Christian teachings. Urges preparing for the worst, and lays down precepts to be followed.

My readers have been disturbed by General Lindbergh's important article in the July 17 issue of the "Saturday Evening Post." The gist of the Lindbergh article is that the H-Bomb is bringing about a new era in world history against which it will be almost impossible for any country to protect itself. This means that unless the United States is willing to start a surprise World War III, our only chance is to have such elaborate powers for retaliation that no other country will dare start one. This will mean continued high taxes until a revolution in Russia or something unforeseen happens.



Roger W. Babson

What Lindbergh's Theory May Mean

Although my organizations are not authorities on military affairs, we do know world history. Certainly conditions today are very similar to what they were 500 years ago. Any reader can check this by studying H. G. Well's "Outline of History," or Munro's "The Middle Ages," or books on the Reformation and European Revolutions.

As was the case around 1450, the power of the established Churches today has distinctly weakened. The rulers of the Western Nations have today become timid, while the Russians are trying to absorb other nations—repeating the pattern of 500 years ago.

H-Bombs Versus Movable Type

History shows similar conditions existed when printing became powerful in 1450. This, like the H-Bomb, became a threat to the entrenched rich political Kingdoms. The Church and Kings fought by legislation, persecution and wars; but the rise of the masses could not be stopped. The printed word became more powerful than the sword. Reformations, revolutions, and beheadings followed. The discovery of the H-Bomb is unsettling civilization today as did the birth of printing in 1450.

What About Capitalism?

Naturally we do not want to see entrenched capitalism collapse as did entrenched monarchism. We now use legislation, submit to high taxes, and endure small wars to protect our way of life, as these same methods were practiced 500 years ago to protect established monarchism. Could it be that the fear of the H-Bomb will become as powerful as was the fear of printed books 500 years ago?

For the long pull, I am an optimist. I don't believe in the Lindbergh Retaliation Theory. I, however, do believe that the fear of the H-Bomb (like the fear of printing 500 years ago) could handicap our Western Democracies with a blow to the capitalistic system.

What About Retaliation?

Lindbergh's only hope of preventing our big cities from being destroyed is by constant threat of retaliation. Such will retard the forces of Communism, but it will not accord with Christian teachings. Will the threat of retaliation save capitalism as we now know it?

The Communists will not ever win a Third World War; but they may gradually increase their power and influence by constantly threatening to start such a war. Surely, we may expect continual small wars, big military preparations and high taxes.

Preparing For the Worst

My grandchildren agree with me that security cannot be obtained indefinitely by legislation, pensions, and tariffs. As our ancestors learned to live with "printed bombs," we must be prepared to live with H-Bombs. Jailing Communists today may be no more effective than was beheading or burning heretics 500 years ago. One of my own ancestors, Reverend John Rogers, was so burned "at-the-stake" for translating and printing the Bible in 1555.

Hence, I urge my grandchildren: (1) To develop a strong and sane spiritual faith; (2) to acquire robust health and good habits; (3) to become an expert in some useful industry; (4) to own a home and raise a family in an agricultural center; (5) to have investments widely diversified both geographically and industrially, avoiding large cities.

Kerr, North Elected By Central States IBA

William D. Kerr Ludlow F. North

CHICAGO, Ill. — William D. Kerr of Bacon, Whipple & Co., Chicago, and Ludlow F. North of Robert W. Baird & Co., Inc., Milwaukee, have been elected Governors of the Investment Bankers Association of America by the Central States Group of the Association. They will take office at the close of the Association's 1954 annual convention which will be held Nov. 28 to Dec. 3 in Hollywood, Florida.

Future Sec. Corp. Opens.

Future Security Corporation has been formed with offices at 550 Fifth Avenue, New York City, to engage in a securities business. William Wolfson is a principal of the firm.

J. E. Oglesby Opens

PORTSMOUTH, Va.—James E. Oglesby is engaging in a securities business from offices at 604½ High Street under the firm name of James E. Oglesby Investments Co.

Securities Salesman's Corner

By JOHN DUTTON

This Is the Soundest Way to Build Customers

There is no formula for success that will be more effective in building a clientele of investors than that contained in the following little story, of which "yours truly" is the modest hero. As far back as I can remember I have heard similar stories about the experiences of other men in the retail investment business, who held to the conviction that "tomorrow's commission dollar will take care of itself if you think of your customer's welfare today." If ever there was a business that lends itself to a philosophy of "enlightened selfishness" (if you would call it that) it is the securities business. Take care of your client's NEEDS today, and tomorrow the bread you have cast upon the water will come back to you.

The Things You Never Expect Sometimes Happen

Several years ago I had a client who told me that he had a young nephew who was going to get somewhere financially, and he asked me to drop in and see him when circumstances permitted. The uncle made the introduction for me and I called to see the young man. I found that the was going ahead in his business, that he had two small children, and that he was earning a sufficient amount to save several thousand dollars a year. In addition, he was paying off a mortgage on a good business property where he had his store, and he owned his home free and clear. He was very friendly because his uncle had spoken well of me and he was somewhat flattered that an investment man would call to see him. After a talk for over an hour I discovered that he carried inadequate life insurance. In fact, he was so under-insured it was perfectly clear that before he bought any securities he should have at least $50,000 of life insurance. I talked it out with him and told him the reasons why this was necessary. He agreed and he thanked me for putting him straight. I told him that after he bought his life insurance I'd be glad to suggest a "few growth stocks," and then help him to build up his capital through further investments in securities.

He afterwards told his uncle that he appreciated my advice and I think the uncle also felt the same way. However, I never obtained as much business from the uncle as I would have liked, since he was already tied to some old friends in another city who were with another firm. Once in a while I would pick up the telephone and suggest a "growth situation" to the nephew, and we are still building up a nest-egg which someday, we hope, is going to become a substantial investment account for him.

One Day the Phone Rang

Some months ago I received a telephone call from a very well spoken lady. She said that she was the aunt of the young man whom I had advised regarding his insurance and his investments. She also said, "My brother also told me about you, but my nephew told me that if I came to you that I could be sure that you would try to give me the right advice."

I told the lady I would certainly try to live up to their generous recommendations and as a result this new client has invested a substantial sum in the securities that I have recommended to her. I have only to suggest what should be done, and without hesitation I have received agreement in every move that I have recommended. The commissions I have earned have repaid me many times for the effort I expended on the nephew's small account.

The other day I asked the lady in question if she would tell me why she was always in such complete agreement with my recommendations and she replied, "My brother, and my nephew, Harry, both told me that any time you advised me to do something I should do it. They still remember that you told Harry to buy life insurance when you were selling stocks, because you thought Harry should acquire his life insurance first and then buy his stocks. They have confidence in you and I do, too."

Moral

All we are doing in this business is merchandising INCOME, and the only difference between our job and the fellow who has the corner grocery store is that he sells cabbages and we sell the stuff that buys them. The most successful store is the one that has a "good name." People come back again and again, and they'll do the same when they buy INCOME, or anything else they need—if we will only put their welfare FIRST.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market forged through July with its record still intact — industrials have yet to lose ground on any month so far this year. For the senior group as well as the rails, the monthly gains in at least the averages were the better ones of the year, ranking up with those of January.

* * *

The market lately has left lots to be desired with the blue chips alternating between a couple of sessions of good strength and several of disappointing weakness, enough to keep most market observers wary. The secondary issues, belatedly bearing out widespread predictions, have been featured a bit more prominently in periods of strength, but for the most it has been a very conservative performance that has failed to kindle any of the wild and widespread enthusiasm of previous periods of high market levels.

* * *

So far this year the industrials have added some 65 points in posting the best prices seen in a quarter century. It leaves less than three dozen points to go to eclipse the famous peak of 1929 which, considering the progress made so far, is at least statistically possible before this year runs out. The rail story is a somewhat tamer one, but the two dozen points or so added by this index so far this year can be considered excellent progress even though this average did mar a potentially perfect record by a fractional loss in March.

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A Steel-Featured Week

It was largely a steel week, what with the meetings of the top producers coming along plus some merger talk that was potent enough to bring out some good market action. U. S. Steel's meeting on Tuesday inspired some heavy advance trading, including one block of 14,000 shares for a $768,000 transaction. The usual dividend and a dip in earnings, however, chilled the enthusiasm.

* * *

Bethlehem Steel was even more prominent in the game of trying to figure out what dividend action to expect at Thursday's meeting The fanfare included a far from ordinary one-day jump of close to four points at best in the stock. This carried it some 15 points above the level in January when a surprise special dividend was paid. Until that unexpected development, Bethlehem had been one of the issues that failed to participate overly in the upturn of last Fall.

* * *

Youngstown Sheet, linked with Bethlehem in merger talk without official confirmation, had an erratic time of it after a rather good run-up. The strength wasn't enough, however, to enable the issue to even equal its 1951 high, which rather belies the story told by the averages of record highs since 1929. Follansbee Steel also featured in merger activity after the management announced an offer for the property was expected. The issue retreated rather rapidly, however, when further elucidation indicated that it would be at least a month before anything came to a head and when unofficial talk indicated that the market price had rather fully discounted the expected offering price.

* * *

The lesser grade issues that stepped into the spotlight included such as Spiegel, which appeared no less than in second place in one day's list of most active issues and made a new high. An illustration of how the secondary issues have lagged is that this issue's new top was only the best since 1952 and only about a quarter of the 1946 high. Gamble-Skogmo was another in the depressed bottom half of the list to step out with a new top. It did eclipse by a narrow margin the peak of 1952 but had sold at better prices each year from 1948 on before that. Other cheap issues that took a turn in the limelight included Libby-McNeil, Hupp Corp., Rexall Drug, Continental Motors and General Cable.

* * *

Middle-grade issues which are faring far better than the blue chips that have led the way uphill include General Dynamics, Bullard, The Fair, Robbins Mills, and Lerner Stores.

* * *

Reversal by Tobaccos

The tobaccos, sorely pressed by a rather persistent decline in cigarette consumption plus all the medical debate over the possible adverse effects of smoking, finally changed their market trend when production figures indicated an upturn in demand. Some stout daily gains were recorded with a unanimity that has been missing from this division for months. Another long-dormant group, the liquor shares, derived new interest from indications that the government would relax its rigid tax demands on inventories of whiskey piled up since World War II ended. Part of the disfavor for liquor issues has stemmed from the need for heavy tax payments as the inventories approached the eight-year limit. The relief proposed would extend the tax-free storage to 12 years.

* * *

American Telephone emerged as something of an enigma. The issue came alive only recently after holding in a narrow range for half a dozen years during which the general market has forged to historic highs. But it turned reactionary after setting a new high for eight years by the slimmest of margins. Then there was enough selling to drop the issue a point in one session and nearly twice as far the following day, which is rough handling for this usually placid stock. It had been building up popularity among brokers recently, largely because other quality issues have reached prices that dropped yields to 3% or less against the better than 5% still available in Telephone. This left it as something of an oddity among the blue chips, one that the institutional investors were counted on to find attractive. The future will reveal whether the hopes work out.

* * *

Aircrafts Sticky

Aircrafts, which have done so well so far, weren't able to wring much more than momentary expectations out of the latest troubles with the Reds in Asia but, on the other hand, neither were they subjected to any realizing that could push them into the casualty column. There is a hint in this that some of the recent buying has been for income which, if true, would tend to keep them relatively stable since earnings have been excellent and prospects are no less bright for continued good profits.

* * *

Oils, which were among the weaker groups recently, weren't half so prominent on the losing side this week except for a rather hard tumble by Barber Oil when the earnings report showed a drastic trim. A few, like Texas Co., were able in the lack of general pressure to add up worthwhile cumlative gains, including a handful of points last week and several more again this week.

[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.]

With First Secs. Corp.

(Special to THE FINANCIAL CHRONICLE)

LUMBERTON, N. C.—Levis J. White has become associated with First Securities Corporation.

Public Utility Securities

By OWEN ELY

The Growth Outlook for the Electric Power Industry

Several interesting documents relating to the future growth of the electric light and power industry have recently appeared. The Cisler Committee of the Edison Electric Institute has issued two bulletins—one, its 15th semi-annual Electric Power Survey published in May, and the other a special forecast through 1975 prepared in connection with the Annual Convention and the industry's "Diamond Jubilee."

The Survey indicated that capability of the electric power systems of the United States, public and private, reached about 92 million KW at the end of 1953 and may exceed 127 million KW by the end of 1957, a four year gain of nearly 38% based on recent construction schedules and plans. However, the rate of increase in generating capacity is rapidly slowing down, as indicated by the following table:

End of Year	Estimated Capability (Million KW)	Amount of Increase (Million KW)	Percent of Increase
1953	92.3	9.9	12.0%
1954	105.4	13.1	14.1
1955	116.4	11.0	10.4
1956	122.8	6.4	5.5
1957	127.3	4.5	3.7

During recent years shortages of materials and strikes have seriously retarded the expansion program but these difficulties have now been largely eliminated and the manufacture of equipment and construction of new generating plants have attained new record levels. However, presumably due to the business recession and the reduced peak load of last December very few orders for new generating equipment have been placed in the past year. Some additional orders appear likely to be placed for delivery in 1957, but based on orders now on the books, capability would only increase only a little over 2% in that year.

It appears likely that a flow of new orders may soon be resumed. General Electric has recently offered special inducements to utilities to place new orders, so as to maintain operations on a mass production basis so far as possible. In any event, the utilities will continue to spend substantial amounts for transmission and distribution facilities.

The peak load in December, 1953, was 78.5 million KW, about 4% less than earlier estimates, as a result of reduced industrial activity. The Committee's earlier estimates for future years have now been scaled down about 3%, so that the new peak load estimated for 1957 is about 110 million KW.

The industry is now almost back to the reserve margin of generating capacity which used to be considered normal—about 20%. The gross margin for last year is estimated at 17.5% and over the next three years is expected to exceed 19%, based on median hydro conditions. During the war and some post-war years, particularly in areas affected by droughts, the margin dropped far lower than this and in a few cases voltage had to be temporarily reduced. However, apart from one or two brown-outs on the Pacific Coast, residential customers have always had all the "juice" they needed, and industrial customers have been little affected on the whole, excepting perhaps with respect to location of new industrial units of "heavy" industries.

Manufacturers have been turning out new generating equipment at a rapid rate. Thus, in 1953, 172 new generating units with capacity of over 10.1 million KW went into commercial operation, 189 units with capacity of over 13.6 million KW are scheduled for this year, and next year 132 units aggregating 11.6 million KW are scheduled. The increases in capability, given above, were slightly lower because of units retired.

In its special forecast covering "the last quarter of the first century of electric power in the U. S.," the Cisler Committee estimates that by 1965 peak load may range between 157 and 190 million KW, and by 1975 between 262 and 367 million KW. These figures compare with the 1953 peak load of only 79 million KW.

In order to take care of this load, the Committee estimated that by 1965 the capability of all United States interconnected power systems would increase from the recent figure of 96 million KW to between 181 and 218 million KW, and by 1975 to 301-423 million KW. The upper and lower limits of these forecasts were based on two different assumptions as to the rate of growth. During the years 1938-1953 the average annual load growth was 7.8%, but this figure was considerably higher than in earlier years due in part to the dampening effects of the depression in the 30's. Hence, the Committee estimated a minimun rate of growth of 5.4% per annum through 1975, and a maximum of 6.8%. These figures would allow for a considerable slowing down in the post-war rate of gain to make allowance for occasional business readjustments such as the one which we have recently experienced.

While the final figures are not yet available, it looks as though the rate of increase in output for the first half of 1954 would approximate 5% as compared with about double that amount last year. Even a 5% rate of gain would not have been experienced except for two factors—(1) an increase of 10-11% in residential sales, reflecting continued record-breaking residential construction combined with the fairly heavy sales of electric appliances; and (2) the steadily increasing power demands of the plants of the Atomic Energy Commission.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Leonard D. Draper, Jr. as a Vice-President in the Security Analysis Department of **Manufacturers Trust Company, New York** was announced on July 26 by Horace C. Flanigan, President.

He came to Manufacturers Trust Company in January, 1939, and in January, 1947, he was appointed an Assistant Vice-President.

Appointment of David J. Barry as an Assistant Vice-President and John F. Adams as an Assistant Secretary of Manufacturers Trust Company was also announced on July 29 by Mr. Flanigan.

Mr. Barry joined Manufacturers Trust in October, 1936 and is assigned to the security analysis department at the bank's main office, 55 Broad Street.

Mr. Adams was first employed by Manufacturers Trust in February, 1935. He is also assigned to the bank's security analysis department.

* * *

The promotion of R. Peter Badie and Leonard J. Schmelz to Vice-Presidents in the **Bank of New York** was announced on July 21 by Albert C. Simmonds Jr., President.

Mr. Badie who joined the commercial loan department in 1933, had been Assistant Vice-President since 1950. Mr. Schmelz became associated with the trust department in 1919 and became a Trust Officer in 1940.

Also elected were Clifford P. Kingsley and Volkert S. Whitbeck as Assistant Vice-Presidents and J. B. Koechel as Trust Officer. Kennedy B. Middendorf and Henry White Jr. were made Assistant Treasurers in the banking department.

* * *

Henry C. Brunie, President of **Empire Trust Company, New York,** announced on July 21 the election of Berry Oakley Baldwin to Vice-President and the appointment of Peter L. Folliss to Assistant Vice-President.

Mr. Baldwin will be in charge of the Bank's Foreign Department. Prior to joining the Bank, he was Assistant Vice-President at the Industrial National Bank of Providence, R. I., and for 15 years with branches of the National City Bank of New York in Singapore, Shanghai, Hong Kong and Santiago, Chile.

* * *

At a meeting today of the Board of Directors of the **Franklin National Bank of Franklin Square, New York,** Mr. Howard E. Seymour was elected an officer of the bank with the title of Personnel Director, it was announced by Mr. Arthur T. Roth, President.

Mr. Seymour received his B.S. degree from New York University and is also a graduate of the School of Education—New York University and the American Institute of Banking. He joined the staff of the personnel department of the Franklin National on April 21, 1952. Prior to joining the bank, Mr. Seymour was active in personnel work with Rockefeller Center, Inc., The National Tuberculosis and Public Health Association, and United Air Lines.

In announcing the election of Mr. Seymour, Mr. Roth stated, "Our staff has grown to such proportions through the country-wide expansion of the bank, that Mr. Seymour will devote his entire time to broadening employee undestanding of the many new phases of the banking industry. This will be accomplished," Mr. Roth said, "through a series of educational meetings at which the inter-relationship and inter-dependence of each of the bank's departments have with the other departments. Under this program each employee will have an even better opportunity to take full advantage of the many opportunities offered through a career in banking."

"Today," Roth continued, "the necessity for maintaining two way channels of communciation between all departments and individual members of the bank staff is more important than ever before, if high standards of community service and efficiency are to be maintained. New opportunities are thus provided for the almost 600 employees now comprising the Franklin National staff," Mr. Roth concluded.

* * *

George L. Hubbell, Chairman of the Board of Directors, **Long Island Trust Company, Garden City, New York,** announced on July 26 the election of Frederick Hainfeld, Jr. as President and a Director of the bank. Mr. Hainfeld, formerly Executive Vice-President, will fill the vacancy left by the resignation of Edward A. Nash, who has accepted the Presidency of a larger bank.

Mr. Hainfeld joined the bank as a Teller in 1929, became an officer in 1935, and since 1952 has been Executive Vice-President.

Mr. Hubbell stated that the Directors of the Long Island Trust Company had accepted Mr. Nash's resignation with regret and are confident that, under Mr. Hainfeld's leadership, the outstanding progress and growth of the bank will continue as it has in the past under the able guidance of Mr. Nash.

Mr. Nash has been associated with the bank since 1926, when he accepted the position of Assistant Cashier and has been President since 1951.

From the time Mr. Nash became an officer in 1926, the deposits of the bank have grown from approximately $1,500,000 to over $28,000,000.

* * *

The County Trust Company, White Plains, New York, Briarcliff Manor drive-in office at Pleasantville and Underhill Roads, near Roosevelt Square, Ossining, will be opened on July 30. The new office will be the bank's 25th in Westchester County: its 9th drive-in.

* * *

At the 97th Annual Meeting of the Corporators of the **Connecticut Savings Bank of New Haven, Connecticut** two changes were made in the official staff. Herman R. Giese, formerly a Corporator, was elected a Trustee, and Paul F. Evarts, Jr., Manager of the Spring Glen Branch, was elected an Assistant Secretary.

Mr. Evarts became associated with the Bank in January, 1937, and has worked in a number of different capacities. He was on the staff of the first branch opened by the Connecticut Savings Bank and, with the exception of a few months at the North Haven Branch has been continuously at the Spring Glen Branch since its opening date in November, 1949. His previous capacity was Manager of that Branch, and he will now be Assistant Secretary and Manager.

* * *

The First National Bank of New Bethlehem, Pennsylvania, with a common capital stock of $200,000 went into voluntary liquidation effective July 10 and was absorbed by the Oil City Trust Company, Oil City, Pa.

* * *

The First National Bank of York, Nebraska increased its common capital stock from $150,000 to $250,000 by a stock dividend effective July 16.

* * *

The **Mercantile National Bank at Dallas, Texas** increased its common capital stock effective July 16 from $7,500,000 to $10,000,000. $750,000 of the increase was made by a stock dividend and $1,750,000 by sale of new stock.

* * *

Advancement of Jesse W. Tapp, heretofore Executive Vice-President of the **Bank of America, San Francisco, Calif.,** to the post of Vice-Chairman of the Board of Directors, is announced by S. Clark Beise, President of the institution.

Mr. Tapp will transfer his activities to the Los Angeles headquarters of the bank about Sept. 1, Mr. Beise said.

A meeting of the bank's Managing Committee, Mr. Tapp is also a member of the General Finance Committee and is Adviser to the bank on agricultural financing policies. He has also served on the advisory council of the board, and on the executive committee.

* * *

Appointment of two assistant general managers of the **Bank of Montreal, Montreal, Canada** was announced on July 23 by Gordon R. Ball, President. They are G. Arnold Hart, a Superintendent of the Bank and R. D. Mulholland, Manager of the Montreal main office.

Mr. Hart formerly was third agent of the Bank of Montreal's New York office. He recently returned from an extended air tour of the Far East, covering more than 35,000 miles on behalf of the Bank.

Mr. Mulholland, who became manager of the Montreal main branch in 1952, previously had charge of the offices in Victoria and Ottawa.

Joins Wm. E. Conly

(Special to THE FINANCIAL CHRONICLE)

LONGMONT, Colo.—Scott Pittullo has joined the staff of William E. Conly, Jr., 518½ North Main Street.

Railroad Securities

Atlantic Coast Line

There has been a marked quickening of investment interest in Atlantic Coast Line stock in recent weeks and with the small floating supply the stock has advanced sharply. The rise has been accompanied by the usual rumors of a possible split. In a case like this it is always difficult to determine whether the price rise has inspired the rumors or whether the rumors have been responsible for the rise but in either event some such step would certainly appear logical. There are also some sources that feel that now that less money is being spent on the property there is a chance that dividend policies may be liberalized. Whether or not either of these developments materializes soon there is fairly general agreement among railroad analysis that the increased investment interest in the shares is fully justified on the basis of the road's earnings and prospects.

One of the most favorable aspects of the Coast Line picture has been the wide and consistent rise in freight volume and freight revenues. In this respect the company has one of the best records in the country. The trend of phosphate shipments out of Florida has been particularly impressive and there is nothing in the general picture that would lead to the opinion that this lucrative commodity might taper off. The road has also been one of the major beneficiaries of the rapid population growth of Florida, and industrial expansion throughout the whole southeast. There is every indication that these favorable trends are also continuing. Thus, the prospects are considered bright for further future expansion in the traffic potential.

The road has spent heavily on the properties in the post-war years in the interests of improving both the service and the operating efficiency. The property has been fully dieselized, a considerable amount of centralized traffic control has been installed, terminals have been improved, although not mechanized, and the road has been one of the leaders in the introduction of roller bearings on freight equipment. Virtually the entire main line has been rebuilt with heavy rail, wider shoulders, improved drainage, etc., all designed to reduce maintenance requirements in future years. It is indicated that these programs are practically completed although some work was probably postponed because of the falling off in traffic volume since last summer, and this may be carried forward when the general business picture is clarified.

In line with the property improvement program, maintenance of way expenditures have been exceptionally heavy in the past few years and this has tended to obscure the real earning power of the properties. Even at that, the results have consistently been highly satisfactory and the trend of earnings has been impressive. From a post-war low of $6.64 a share established in 1946 share results rose consistently in each year to a high of $21.03 a share realized in 1952. Last year with heavy maintenance work continuing, an expensive wreck in the spring, and the downturn in the level of traffic in the late months, earnings dipped to $14.60 and the stock suffered from considerable disappointed selling by investors who accepted the figures at face value.

This year the tide has turned and so far the road's year-to-year earnings comparisons have been better than practically any other carrier in the country. In three of the first five months the road's transportation ratio has been below the like 1953 months and for the period as a whole the pre-tax earnings were above a year ago. After taxes, actual reported earnings for the five months came to $6.77 a share, a very modest drop from the $7.02 reported for the first five months of 1953. There are signs that business generally is improving and traffic for the last half as a whole may better the 1953 figures. Thus it is now estimated that Coast Line's 1954 earnings will at least match those of 1953.

Continued from first page

As We See It

the phony issue, commonly so labeled, is in no way involved in the bill finally approved by the Senate.

TVA Attacked?

Certain recent events have been interpreted by the worshippers of the so-called TVA experiment as initial steps in a campaign to undercut or undermine that Authority, and perhaps other similar projects existing or planned by the economic managers. The President's denial that anything of the sort was in contemplation did not satisfy these elements in American politics—and anyhow here is an excellent opportunity, so it is reasoned, to go on record as an undying devotee of this "bold experiment" of the New Deal and to make the most of the charge that the President regards it and all the others like it as a sort of "creeping socialism." Largely through atom plant demands the Federal Government needs more power in the TVA area than the TVA can furnish with existing facilities. Public power advocates see red when the Administration does not fork over the money for further expansion of the TVA facilities, but rather offers private enterprise the opportunity to provide the additional power needed. The atomic power measure offers them the opportunity—politically speaking—to do a little strutting before their constituencies. That is the real story.

There is always a list of standby issues—usually more counterfeit than real—which the politicians, or some of them at least, like to take down from the shelf and dust off now and then when such action seems to them to be likely to prove profitable. In the South racial questions have long been one of the favorites. The railroads have often served as a sort of whipping boy in such political manipulation. "The Trusts," "malefactors of great wealth," "appeasement," and the "money bund" are other slogans or notions which have served many a politician at one time or another when he had no other issue or better idea of statesmanship. And to this list, of course, must be added such phases of labor legislation, farm subsidies and the like as have highly organized and very active "pressure groups" (they used to be called lobbies) to give them professional support.

This "power trust" issue has of late years developed a very powerful vested interest in favor of public power to support the prejudices which had long been flourishing against private sources of electric power. Of course, abuses have from time to time flourished in the power industry. At times these unfortunate practices and behavior have been quite indefensible. It was the transgressions of the 'Twenties which gave so much political vigor to the efforts of the New Deal not only to institute a system of Federal control of such activities, but to develop competing facilities to provide, so it was said at the time, a yardstick by which to measure the suitability of rate structures throughout the country. The popular ill-will toward power companies which President Roosevelt and his followers so skillfully incited remains in substantial measure still intact, and it is this feeling that the filibusters of last week hope to capitalize on in the form of political capital.

Vested Interests

But there is in this instance rather more than that in the obstructive efforts of the advocates of "creeping socialism." With the growth during the past two decades of a vast kingdom of public power, including not only the TVA but the several other public power developments of recent years, there has come into existence a vast vested interest in keeping mammoth operations of the Federal Government going. They mean soft jobs for a great many of the faithful. And it is not only public power projects which supply this sort of vested interest. The Federal Government has developed since the early days of the New Deal an army of public employees many of whose jobs would be placed in jeopardy were a trend now to set in looking toward substantial reduction in the extra-curricular activities of the national government. Small wonder that professional politicians hope they see in this filibuster an opportunity to curry favor in the right places preparatory for the fall elections—particularly in sections where public power has become an article of political faith.

But we hope we see some indications that the obstructionists are in danger of overplaying their hand, and that the public is not so morbidly sensitive to the "power trust" nonsense as it once was. Of course, such behavior as the country was subjected to in the Senate has nothing to do with the merits of any issues, and is certainly not of the sort to encourage sober thought about the good of the country. The issue about which these talkers are presumably so excited is really not involved in an important way in the proposed legislation which they so ardently tried to smother in a sea of senseless words, and, if it were, tactics of this sort certainly would not encourage calm thinking about it.

There are many things pending before Congress which need extensive and intelligent debate. When such discourse is directed at an effort to reach sensible conclusions about subjects at issue, no one is likely to complain much about the tediousness of the proceedings even when the quality of the discussion leaves much to be desired. But from the "filibuster" good rarely is likely to come.

Continued from page 5

The Return to "King's Money"

ever, is our issuance of bills of credit through the Federal Reserve Bank System, an institution owned by private banks under compulsion of our government, while submitting, particularly within the last 20 years, to a complete dominance by the government over directors and officials. As is only too well known, the result is an enabling of goods and services to be exchanged against one another by means supported to a large degree by government obligations which are illiquid because of the magnitude of the public debt; and by other obligations, which, since the "New Deal' Banking Act of 1935, have been illiquid supports. Once a bank's most important asset, short-term commercial paper, today, is depended upon far less than are other things.

By our Supreme Court's approval of the circulation as money of "greenbacks," our Congress acquired that body's approval of the issuance of bills of credit without using a bank as its agency, or, as under the Federal Reserve Banking Act, by promising to pay circulating paper described as "Federal Reserve Notes." This subject will be considered presently.

Mr. Brough wrote convincingly of the evil of obliterating the meaning of money by changing designs, as noted, and it may have been unfortunate that the clause in our charter of Federal Government did not require a naming of new coins which would have given immediate knowledge of the contents of the pieces, as had *pondo, pound, penny*. We should be grateful, nevertheless, that the gift to the Congress of the "Power . . . To coin Money, regulate the value thereof, and of foreign Coin . . . ," left with the people the power to compel their lawmakers, if necessary, to show by statute the value, that is, the weight and fineness, to render valid all coins in circulation in the land.

By their debasements of coins and collateral actions, kings in the past made no more difficulties for their subjects than the ruling powers of the United States of America, by their valuation of the coin and collateral actions, have made for all who dwell in our vast commonwealth. The weight of these difficulties prompts the following.

Confusion Over the Meaning of the Powers to Borrow Money and to Coin Money. Some History of Their Employment Not Given in the Foregoing

The distinguished British economist of a century and a half ago, Dugald Stewart, said in his "Inquiry into the Principles of Political Economy" (1805, Vol. ii, P. 306):

"It would require a separate treatise to investigate all the artifices which have been contrived to make mankind lose sight of the principles of money, in order to palliate and make this power in the sovereign to change the value of the coin appear reasonable."

The official government of these United States surely was "in step" with the kings of the past when, about a score of years ago, it revalued our coin and performed revolutionary collateral actions. One of their highly injurious actions was to confuse the meaning of the word "value," as used in our Constitution, with the word when used in other settings to mean "value in exchange."

Because of this now frequent confusion, the reader is asked patiently to consider the following distinction between "value" and "value in exchange" expressed also as exchange value.

The word, as used in the Constitution, means the degree of substance or substances in the article considered. A piece of cloth may contain a certain quantity of wool and a certain quantity of cotton. These constitute, if they be its only substances, the cloth's value. A piece of rope contains a certain quantity of hemp. This and its other substances, if any, constitute its value. The cloth, in exchange for rope fitting the description of the piece considered, has a value in terms of a certain quantity of such rope. But notice, this is not simple *value* but *value in exchange*. It is the value, the substances, as they remain in the rope, given as a value equivalent to that of the cloth, as it remains in the cloth.

25.8 grains of gold plus 2.866 grains of baser metal constitute a pre-"New Deal" dollar's value. Being of universal desirability, this piece and its enlargements into greater denominations, wherever their use as money is permitted, are exchangeable for goods and services and land, *etc.* Constituting the values of the things are degrees of substances. Constituting those of the services are degrees of qualities. The values in exchange are to be determined from an examination into these facts, coupled with one into the conditions of supply and demand.

When our Constitution was adopted, the meaning in the money coinage power of "to regulate the value" was well understood and not in any way confused with such an interpretation as "to regulate the value in exchange."

We were wholly dependent on foreign coins for circulating money. The colonies had not maintained adequate coinage systems. When they become states they did not. Among them was a universal failure to recognize a centuries old principle.

Circulating capital, according to Adam Smith, "is composed of money, provisions, materials, and finished work." ("The Wealth of Nations," P. 398, Book II, Ed'n., Collier & Son, 1901.) The learned economist then says that all of these articles of capital except money are regularly withdrawn to be consumed, except a small portion entering fixed capital. Money, however, cannot be consumed or used to multiply itself. Its maintenance in circulation, he says, costs capital.

Instead of following this principle, the colonies lost far more capital than acting on it would have required. Evidence confirming the fact abounded; for few were unaware of the curse of worthless paper "money" and of the difficulties in using degraded foreign coin, their only money, if even that was to be had in place of the far more common *medium*.

Most of the coined money which circulated throughout the world lacked integrity. This has not been true of English money since about 1694, within the British Isles, and probably did not hold true of the French gold franc within France in the early 1800s. Spain coined all of her silver at Lima and Mexico City. This money's use throughout the Western world was extensive, and it was almost the only money circulating in the Americas. The unit was the *piastre* or Spanish dollar, as known in North America.

On April 2, 1792, our Congress passed legislation based upon Alexander Hamilton's celebrated suggestions for establishing a mint and coinage system. Hamilton's estimate of the actual average value of the Spanish dollar was made the rule by which to control the foreign coin's value. As will be seen, this estimate was stated in the explanation of choice of value for our domestic silver dollar. Such regulation of foreign coin was of the first order of importance. The effort to maintain it was long and difficult. Not until the year 1857 did the trying battle end against the use of a kind of money which was continually varying in value (the degree of its substances). In that year we passed our final act of a series completely to displace with domestic coin the depreciated foreign pieces.

Truly, this experience confirmed Adam Smith's saying that A small "State, therefore, by reforming its coin will not always be able to reform its currency."—"The Wealth of Nations," Book IV., P. 193.)

By the early legislation we directed that the silver Dollar, or Unit, the name apparently preferred by Hamilton (See his "Report, Annals of the First Congress," Vol. II., *pp.* 2111 to 2149) should be struck or coined. Its value was to be 371.25 grains of pure silver, a degree of quality decided upon, in Hamilton's words, "as best expressing the actual average value of the coin in use." Because Hamilton believed 24.75 grains of pure gold to be the equivalent in exchange value, the Congress coined certain gold pieces in accordance with this thought. Not until 1849 was a gold piece of the denomination of one dollar coined. The gold pieces coined were the Eagle, or ten dollar gold piece, containing 247.50 grains of pure gold, the Half Eagle, and the Quarter Eagle, whose names indicate that each was proportionate in its content of pure gold.

Hamilton had recommended Bimetallism. In view of his understanding of Money and Trade, this seems strange. The Congress avoided formally establishing this policy; but by endeavoring to coin gold money at a ratio, in exchange value, equal to that of the Dollar or Unit, it initiated the futile attempt to cause the practice of Bimetallism.

Until 1900, except in parts of the years 1872 and 1873, efforts to employ a policy of Bimetallism prevailed. (See "A History of Currency in the United States," by A. Barton Hepburn, P. 272.)

In the year 1816 England, then the World's leader in the employment of sound money, renouncing the fallacy that a bimetallic standard can be maintained, "went on the single gold standard." Her legislators finally had seen the light. They admitted the impossibility of using for coins of gold and coins of silver two metals to form at the same time, in combination with each other, at a ratio of values, degrees, that is, of their respective substances, fixed by law, the standard measure of relative values in exchange.

We did not put Bimetallism behind us until 1900, when, by an Act of Congress we made our sole monetary unit the gold dollar containing 25.8 grains of gold, 0.900 fine. The value of this piece continued to be regulated thus until the early days of the "New Deal."

All things considered, for the first 20 years after our present government started, our prosperity was great. In this period, Exchange escaped the impediment of a large circulation of unsound paper "money"; but Bimetallism, as it continued to do for a long time, caused difficulties, as did our failure satisfactorily to regulate the value of the Spanish dollar, whose circulation was not displaced by that of our domestic coin, until, as noted previously, 1857.

Throughout the life of its charter, 1791 until 1811, the first Bank of the United States operated unofficially, but effectively, as a central point of clearance of a great deal of bank paper "money." Such of that "money" as was unsupported by sufficient reserves "met its Waterloo," if, as much of it did, it reached the Bank for final clearance. After 1811, until soon after 1819, the third year of the charter of the second Bank of the United States, there was a great expansion of "rotten" paper "money," issued by so-called "banks" which cared not about the "little" matter of reserves. Functioning with reference to these *media* of exchange, as had its predecessor, the second Bank greatly lessened this evil until its charter expired in 1836.

After this, unsound paper "money" of many of the states did incalculable damage until the Civil War. Then came the curse of "greenbacks" which lasted until 1879.

It seems important to observe that no attempts of our lawmakers to correct these conditions ever included a violation of the power to regulate the value of money. To regulate was to control by rule; the rule, in this case, being our statute's descriptions of our two monetary units. Value was not confused with value in exchange. Money was coined metal, or metal fashioned to a shape, with its degrees of substances, that is, with its value, ascertainable by assaying, but credibly indicated by its name, design, and the governing statute's description. Unheard of was such a thing as controlling the sums of money which should be paid for things or services, for such an activity would be the control of value in exchange, instead of its value.

The language of Article X of the Amendments to the Constitution is as follows:

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

By Section 10, Article I, the Constitution prohibited to the States the power to

"Make any Thing but gold and silver Coin a tender in Payment of Debts."

By no language did the Constitution delegate to the United States the power to make any thing "a Tender in Payment of Debts." What ever has been the necessity to declare "legal tender," by statute, a truly standard monetary unit of measure of value in exchange? If its circulation were permitted in these United States, would not a gold coin of integrity be freely employed as a tender without an enabling statute, unless depreciated money or improperly secured paper *media* of exchange were made legal tender?

On March 3, 1884, the third and last of the celebrated "greenback" decisions was made. Upholding the contention that our Federal Government can issue as "money" irredeemable promises to pay money, the opinion in this case, (Juillard *v.* Greenman, 110 U. S. R., 421), said, among other things:

"The power to make the notes of the government a legal tender in payment of private debts being one of the powers belonging to sovereignty in other civilized nations, (1) and not expressly withheld from Congress by the constitution; we are irresistably impelled to the conclusion that the impressing upon the treasury notes of the United States the quality of being a legal tender in payment of private debts is an appropriate means, conducive and plainly adapted to the undoubted powers of Congress." (1) According to Elliot's *Debates*, delegate Pierce Butler, South Carolina, said, in the Convention: 'Paper money is a legal tender in no country in Europe'."

This opinion started the fallacy that another thing than coined metal is *money*. By contradicting every English dictionary extant in 1787, when calling paper "money," and by attributing to Congress a power to make such "money," our Supreme Court of nearly 70 years ago committed the offense, in the words of the late George Bancroft, of wounding the Constitution "in the House of its Guardians."* In his dissenting opinion, the late Justice Fields said:

"From the decision of the court I see only evil likely to follow:

This view was prophetic, for, without reference to the evils following before the advent of the "New Deal," certainly it may be said that wounds greater than the ugly one bemoaned by the learned historian have been made since the coming of the "New Deal."

Thoughtful was Mr. Brough's observation on the period in history when the coinage was known as "King's Money." It is improbable, though, the times being what they were then, that in 1894 this student could have imagined the phenomenon of 1933, consisting of an attitude toward the President of the vast majority of the people in these United States which, although differently directed, actually resembled the ancient superstitious awe inducing the belief about a king's touch.

This revolutionary attitude and its results are too well known for retelling in this paper. Here we are concerned especially with the almost coincident submission to the executive of the Congress. This new relationship, amounting to servility on the part of the legislative branch, lasted five years and induced an apparently permanent supremacy of the executive department over our other two departments of government, theretofore equally independent with every other department. Illustrative of the Congress' servility are the two following facts. Immediately after the new Congress convened in March, 1933, referring to edicts, the most revolutionary in our history, this body passed an Act saying:

"Acts of the President and Secretary of the Treasury, since March 4, 1933 are hereby confirmed and approved." (The Revolution Was," by Garet Garrett, p. 18.)

The Act requiring the people to surrender their gold, as passed by the Congress, contained a stipulation of a penalty of a fine for violation. Yet the Congress made no objection when the President decreed imprisonment as an additional penalty.

*A plea for the Constitution, wounded in the House of its Guardians.

Truly startling to most thoughtful persons would have been a vision in 1894 of the happenings of 1933 and subsequently. Attention has been given to the change in interpretation of the Coinage Clause's narrow limits by the Supreme Court's decision in 1884. The false doctrine that another thing than coined metal is *money*, having prevailed for about 50 years, the "New Dealers" of 1933 were not deterred for a moment by the founding fathers' clear understanding that only coined metal was money.

After 20 years, the initial assaults on Congress' powers over money continue to amaze many persons. Moreover, a large percentage of such persons has remained unmoved by the frequently repeated statement that the assaults were justified by the presence of an emergency. The Constitution makes no provision for suspension of any of its parts because of any emergency.

For convenience, the first of the startling Acts and edicts to be noticed now is one of June 5, 1933, although, in point of time, it was preceded by Acts and edicts from the early days of March onward. Reference is to the Joint Resolution of Congress which declared invalid the clauses in contracts requiring payments in gold. In its report recommending favorable action on this (H. R. No. 169, 73d Cong., 1st Sess.) the Committee on Banking and Currency of the House of Representatives said:

"The occasion for the declaration in the resolution that the gold clauses are contrary to public policy arises out of the experiences of the present emergency. These gold clauses render ineffective the power of the government to create a currency and determine the value thereof."

Currency consists of the circulating monetary *media*, that is, money and promises to pay money. The Constitution does not authorize the Congress to create promises to pay money for its own credit purposes for circulation as *media* of exchange. This is a proper and necessary function of privately owned banks whose managements are free of government control. The authority to borrow money is obviously one to issue promises to pay money; but the power to make bills of credit was not given to the Congress when the States denied it to themselves. Receipts for gold and silver coin held by the Treasury and in circulation are lawful. The gold clauses of contracts could not have rendered ineffective the power to regulate, according to the governing statute, the weight and fineness—the value—of coins. "Value in exchange," as noted earlier, is a phrase which does not appear in the money power clauses of the Constitution.

The Congressional Committee's language showed the prevailing will of our legislative branch to distort the language expressing the Constitutional powers over money. To support almost all "New Deal" government monetary policies and policies which perhaps should be called economic, rather than monetary, the false interpretation of the word *value* in our coinage clause usually has governed. Frequently, when not offered as the explanation of a particular policy, it could have been, because the end sought was the control of one or more values in exchange.

The motive given for confiscating gold coin—money—and gold, unminted, was to prevent the hoarding of gold and to prevent its being taken or sent from the United States of America. This unprecedented action was explained as being required to control the value, meaning the exchange value of the dollar, not, as in the Constitution, "money," but the irredeemable promise to pay one dollar. In "New Deal" statutes and edicts on so-called "money," it is interesting to observe the frequent intention of the government "to control," instead of "to regulate" (control by rule).

A larger view of the distortion referred to may be had by considering the following: the announced policy of "restoring" the price level—control of value in exchange; devaluation of the dollar in order to . . . raise prices . . . —control of value in exchange; an addition to our silver coin and silver certificates in order to subsidize our silver producers . . . —control of value in exchange of the commodity, silver; heavy government spending and heavy government borrowing at low interest rates to "restore" prices . . . —control of value in exchange; a proposal to maintain a stable price level—control of value in exchange.

The compulsion by the government of the banks to lend capital at low interest rates, continued, has constituted controlling the supply of currency, an improper influence on value in exchange. And where do we stop? Subsidies, control over plantings and harvestings, controls *ad nauseam* in many directions amount to attempts to control value in exchange.

When, with a strange complacency, the people of this land saw our government authorities devalue the standard unit of measure of relative exchange value, our gold dollar, they witnessed a thing as bad as decreeing, if this should be done, that the measure of absolute length, one foot, equals ten inches. Denied without our own country, any use of this devalued coin, in a fumbling way, we try to use as a standard measure of relative exchange value a false promise to pay money. A false promise cannot be used as a standard.

Summary and Comment

Surely, Jean-Baptiste Say, and, many years later, Mr. Brough were justified in deploring the discontinuance of so naming coins as to distinguish their value; but we know that the founding fathers, when writing the money powers in the Constitution, avoided the monetary evils of the past, including such as arose from legalizing the circulation of "King's Money."

Herein, besides mention of some violations of the money powers, mention has been made of the long, hard, but successful, efforts against the evils of a chaotic foreign coin circulation, of Bimetallism, and of paper "money." What a change has been made in the condition of 1919.

World War I had ceased as recently as in November of the year before. With the exception of these United States, all contries were struggling to adopt and maintain the gold standard. We had maintained it since 1900 and in 1919 were doing so with the same degree of certainty as had prevailed from the beginning.

This condition lasted until 1933. All the world believed in our will and ability to allow deposits to be made and to be withdrawn at any time in any form desired. Our dollars were as good as gold.

In his "Lombard Street" (p. 55), the lamented Walter Bagehot said:

"Whatever may be the case with refined statistical reasoning, the great result of money matters speak to and interest all mankind."

By our departure in 1933 from our 33 year old policy of maintaining the gold standard, which was a departure from the path of honor, we caused a great result of money matters which eventually will "speak to and interest all mankind." Only by returning to the gold standard at an early date may we stop soon enough the wasting of our resources through the government's command over the purse, a command which belonged to the people while all exchange *media* consisted of redeemable promises to pay money and money itself. There being no limit to the possible number of irredeemable promises to pay money, the final result of such wastefulness will be social disorder as bad as that involving the Roman Empire and following its fall.

Today, in our land, ornate gold and silver pieces do not circulate as "King's Money." However, for a long time before 1933, our circulating media consisted of ornate gold and silver pieces of assured values and of redeemable promises to pay such money. On almost every one of these was a likeness of one of our revered statesmen. The *media* which have been substituted for these by the "New Dealers" and their successors to date consist of paper bearing likenesses of some of our revered statesmen. Yet these engraved pictures are of men, every one of whom, in his day, would have given his life in protest over such monetary policies as ours of the present day; for these equal in evil consequences those of the acts of many rulers of the days when "King's Money" predominated.

Halsey Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates on July 27 offered $18,000,000 of Boston Edison Co. 3% first mortgage bonds, series E, due Aug. 1, 1984, at 101.19% and accrued interest, to yield 2.94%. The group won award of the issue at competitive sale on July 26 on a bid of 100.72%.

Net proceeds from the financing will be used by the company to retire short-term bank loans which were incurred in connection with the construction program. The balance of the proceeds, if any, will be aded to working capital.

The new series E bonds will be redeemable at regular redemption prices ranging from 104.19% to par, and at special redemption prices receding from 101.19% to par, plus accrued interest in each case.

Boston Edison Co. is an operating public utility engaged in the electric and steam business. Electricity is supplied in the cities of Boston, Somerville, Newton, Chelsea, Waltham and Woburn; in the towns of Brookline, Arlington, Watertown, Framingham, and in 30 other smaller towns in eastern Massachusetts, covering an area of about 590 square miles within 30 miles of Boston. The company also supplied electricity in bulk to 10 electric companies and municipalities; it supplies steam to over 700 customers in parts of Boston, and it is also engaged in purchasing and selling electrical appliances.

For the year 1953, total operating revenues of the company were $82,376,167 and net income was $8,024,448, compared with total revenues of $78,766,485 and net income of $8,146,871 for 1952.

David L. Ruberg Opens

CAMDEN, N. J.—David L. Ruberg is engaging in a securities business from offices at 137 North 32nd Street.

Now Kramer Woods & Co.

HOUSTON, Tex. — The firm name of Kramer, Makris & Company, San Jacinto Building, has been changed to Kramer, Woods & Co. The firm has branches in Dallas and Odessa.

Tracy L. Turner Opens

VERO BEACH, Fla.—Tracy L. Turner, Jr., is engaging in a securities business from offices at 2035 Thirteenth Avenue. Mr. Turner was formerly with Shearson, Hammill & Co. in Chicago.

Continued from first page

The Federal Reserve And the Skidding Dollar

who knows history knows that this has happened before, always culminating in a setback more severe than anything we have experienced since 1945, and he is not convinced that there has been any significant change in the capitalistic system to warrant the view that it will not be repeated. He is not convinced that the downturn of 1949 was the adequate readjustment, and he is not convinced that policies of the government and of the Federal Reserve have proven beyond doubt their efficacy in making an inflationary rise taper off gently. If we could have such a gentle change, it would be wonderful, and the P. of D. would gladly cease to be a P. of D.

The Present Situation

Questions still haunt us. Home building is going on at a pace which is only slightly lower than that of 1953, but as credit terms have eased, there comes a time when they cannot be eased further, and as this benefit is exhausted, is it not possible that America will come to the realization perhaps abruptly that the country is supplied with all the houses the people can or are willing to pay for? Public projects are supposed to take up the slack if private business fails, but states, counties, and cities have found their resources strained, with tax rates rising and borrowing power approaching legal and perhaps economic limits. How far can public projects go, if private enterprise slacks off? State and local governments have been building like mad for years, and their limits are nearer than they were.

New capital investment is going on with speed and volume. By all rights, it should have petered out before, but then the extent and duration of demand were underestimated. But it should be remembered that when an electric power company has all the generating equipment and transmission lines, etc., that it can profitably use, and when railroads have all the fixed capital and rolling stock which their traffic calls for, and when manufacturing companies are adequately equipped with buildings and machinery, they are not easily induced to invest further. Lowering the rate of interest and easing the terms of borrowing may lure marginal borrowers, but there comes a time when a company or a nation has all the capital equipment that it can profitably use. Its demand declines, and business slackens to little more than replacement levels, and perhaps to less than replacement levels, since the new machinery bought in large quantities will last a long time and will not need to be replaced soon. Many talk optimistically about an expanding economy, but they seem to mean one that keeps expanding at a rate that is beyond reasonable expectations. It is not popular to speak of business jogging along at replacement levels, but at replacement levels, we can have prosperity if businessmen and labor adjust their policies to produce what people want at prices they will pay.

Most optimists are congratulating each other that this recession is merely one of liquidation of excessive inventories, and that conditions are so improved that it is about over. Inventories are down, so far as over-all figures are concerned, but maybe it is not the over-all figures that matter. Perhaps it is the situation in selected vital areas, such as automobiles, steel, and petroleum products which are of outstanding importance. And one wonders too whether the decline in inventories brings as much satisfaction to dealers who have to cope with the problems of selling goods to reluctant buyers as to the expert observers who are so happy about the whole situation.

And don't forget consumer debt. The families who bought on the instalment plan when overtime earnings were important are not finding it easy to meet these payments now that overtime has gone and the regular work week or a short work week or total unemployment appears. It must be admitted that the cumulative spiraling decline which could take place has not begun, and we hope it will not.

Can Government Prevent Depression?

One thing which irritates the P. of D. is the bland assurance one meets with so often that the government won't, nay, can't, let it happen again. These people forget not too distant history. In the depths of the depression, there were estimated to be 13,000,000 unemployed, while in 1939 there were still 9,000,000 such. In 1933 national output had fallen more than 50% in terms of money and 25% in terms of physical output since 1929, while in 1939, despite population growth and improvements in technology, it was still 13% below 1929 in terms of money and 5% above 1929 in real terms. Years of spend-and-spend and elect-and-elect, of piling governing agencies one upon another, of increasing government expenditures — after all these, we still had a far from satisfactory recovery. The condition of the banking system alone is sufficient assurance that 1933 will not be repeated, but the complete reliance which some people place upon the government that government will not let any depression happen again seems quite misplaced.

But whatever the near future holds for the American system, the long-term trend would seem to be one of continuing inflation. The New York Clearing House Association in 1953 published a study entitled "The Federal Reserve Re-examined" in which it reviewed systematically and thoroughly the changes in statutes and Federal Reserve practices from the beginning of the System. As this panorama of change passes befoer the eyes of the reader, with the appropriate comments and interpretations by the writers of the study, there arises the uneasy, disquieting feeling that the dollar will go the way of the French franc or Italian lira. It has already taken giant strides in that direction, with the value of the dollar now only a little over half what it was in 1940, and with present policies and attitudes being what they are, the continuation of the trend is to be expected. But even with inflation continuing irregularly and intermittently, the alternations of business known as the business cycle can still take place, with depressions and prosperities taking turns. This is no part of the Clearing House study, but the author's own interjection.

On page 150 of this study by the Clearing House, the authors state that inflation is the major challenge. "Among the more important inflationary factors which have emerged in the last three decades, other than the two world wars themselves are: (1) a rising trend in government expenditures compounded by the costs of postwar rearmament and of maintaining a defense establishment; (2) and expanding public and private debt with a resulting bias favoring cheap money; (3) an unbalanced foreign trade sustained in the 1930's by a rising gold stock and more recently by intergovernmental loans and grants; (4) the mushroom growth of governmental agencies engaged in lending and guaranteeing credits to promote special objectives; (5) the adoption of 'full employment' as a principal goal of economic policy; (6) the demands of labor for wage increases exceeding gains in productivity; and (7) support of agricultural prices at a high parity level. These policies can be sustained over long periods of time only by excessive monetary expansion.

"One of the gravest dangers is the tendency of people to accept and tolerate inflation as a way of life. The proposition that an upward long-term price trend may be desirable has gained credibility in some economic as well as lay circles. Popular and political indifference to the evils, illusions, and dangers of inflation, taken together with the demands of labor for higher wages, of farmers and other producers for higher prices, and of borrowers for cheap credit, renders the task of credit policy formidable indeed."

Can Built-In Stabilizers Be Effective?

Some commentators have referred to built-in stabilizers as preventing depression, and among them are mentioned farm price supports and the high wages of labor and their fringe benefits. But it should be remembered that these so-called built-in stabilizers are double edged. It is argued that we must have a prosperous farming population if industry is to be prosperous. So the government taxes in order to buy up surpluses or otherwise support high prices. But the taxpayer pays twice (some theorists may argue that it is only once, and I am not disposed to be dogmatic about this): They pay the taxes to the government to support the prices, then they pay the higher prices resulting from the policy. Where is the gain for national prosperity? The money paid in taxes and in high food prices by consumer - taxpayers cannot be spent by them for the products of industry. This represents a transfer of spending and cannot possibly be a net gain for the economy. What the farmers can buy to keep industry prosperous the taxpayers - consumers have been deprived of. That the distribution of goods and services and the allocation of factors of production will be different than they would be without farm price supports is granted, but that total production is any greater is not to be assumed. The total cost of the program is spread over the many for the benefit of the few, but this does not alter the conclusion. The farmers have the political power or the imagined or supposed political power to demand, Congress does not dare to take away these benefits, and city people are indifferent or ignorant. What started out as a policy to aid a seriously distressed segment of the economy, then was altered to encourage needed food production, has been perpetuated to create a favored class whose earnings do not represent their contribution to output, but their political power to demand what amounts to monopoly profits.

Labor's power as a built-in stabilizer can be likewise criticized. If one dares to criticize any part of labor union activities, he is condemned as being antilabor, and he invites vitriolic denunciation, if he is important enough (which this writer is not). Nevertheless labor's gains may be their own undoing. Labor unions have achieved a quasi-monopolistic position, and no robber-baron capitalist ever extorted monopolistic profits with more zeal, ruthlessness, ad arrogance than those now in power in the unions. And with this has arisen the problem of getting a full day's work for a day's pay. As wage and fringe-benefit gains have outstripped gains in productivity, higher costs have been foisted upon managements and upon their customers. As long as demand was rising or holding steady at high levels, the employees could increase their share more than proportionately. Repeatedly, corporate reports have shown that while earnings rose, costs rose more than proportionately, and only the nimbleness of managements in outwitting labor with labor-saving devices and methods has mitigated this rise in costs. But this rise in costs may be labor's undoing. As demand clackens, as competition increases, they find themselves priced out of the market with unemployment growing and earnings reduced. The coal industry is a case in point. Labor leaders talk too much about the "right" to work and "full employment" and not enough about their responsibilities to produce at costs which will enable their employers to have customers.

The point to be made about these built-in stabilizers is that they are not stabilizers. In deflation they aggravate the situation, carrying decline in business further, and in inflation they likewise aggravate the situation, thrusting higher and higher costs upon a majority for the benefit of the particular minorities who gain the most. This P. of D. is inclined to see declining business ahead for the near future, but dangerous inflation as the lot of the American people if the government and the Federal Reserve follow the easy and plausible policies of easy credit and public works in the years to come.

Federal Reserve and Inflation

The danger of inflation lies in part in the repeatedly relaxed controls which guide the Federal Reserve and in the danger of increasing government deficits. When this writer was a graduate student at Harvard in the later 1920's, one of the professors remarked that the Federal Reserve would be a fine instrument of control of credit under proper conditions, but that if used for political purposes, it could become an engine of inflation. The latter seemed remote at that time of comfortable prosperity, but in recent years, it has come much nearer. Indeed, we may say that in the war and postwar period, it has become an engine of inflation through its support of the government bond market. And the way is paved for it to become even more of an engine of inflation unless those in authority understand fully what they are doing.

The Federal Reserve's controls work by virtue of their effects upon the reserves of member banks. A bank does not need to have enough cash on hand to pay all of its deposits because the banker knows from experience that not all of his depositors will want all of their funds at once. Money flows into the bank when depositors bring in cash or checks on other banks; it flows out as they withdraw cash or as checks drawn on it are presented by other bands. This inflow and outflow develops a pattern in a community, weekly, monthly, or seasonal, and the banker adjusts his operations to it. Nevertheless, it is desirable to keep a reserve against emergencies. In this country, the percentage of that reserve to deposits is set by law, and it varies according to the classes of banks set up by statute. Call it an average of 20%. If a bank has, for example, deposits of \$1,000,000, it must have a reserve of \$200,000. If it should lose \$100,000 in cash, its reserve of \$100,000 remaining would be less than 20% of deposits of \$900,000, and it would somehow have to increase reserves to 20% of \$900,000, or \$180,000, or reduce its deposits further to \$500,000. If, however, it received \$100,000 more in cash through deposits, this cash increase would support increased deposits by a maximum of \$500,000, of which \$100,000 is already accounted for by those depositors who brought in the cash. The remaining \$400,000 would be made by loans to depositors and credits to their accounts. No bank, of course, would or even could increase its loans so rapidly by \$400,000, because the new borrowers would immediately withdraw some of the funds, and adverse balances at the clearing house would prevent such expansion. Nevertheless the bank could probably increase its loans and deposits by more than the \$100,000 brought in by the depositors.

Originally, reserves were supposed to meet those emergencies which no banker can foresee, but with the development of banking, the function of the reserves has changed to that of controlling credit. Thus, an increase in reserves increases the bank's power to lend with a consequent increase in deposits; while a decrease in reserves curtails its power to lend by requiring deposits to be reduced, or by requiring the bank to take steps to increase its reserves. With the advent of the Federal Reserve System, member banks were required to keep their legal reserves on deposit with the Federal Reserve Bank of the district within which a given member bank is located. If this reserve deposit increased, the member bank would have excess reserves which would enable it to increase its lendings by more than the amount of the excess; and if it decreased, the bank would have to take steps to bring it up to the required minimum or reduce its customers' deposits by reducing loans or letting loans "run off"— not making new loans as old ones are paid off. The Federal Reserve can increase these reserves and thus encourage more lending by lowering the minimum reserve ratio required, by rediscounting the member bank's eligible loans, and/or by buying bonds on the open market. Conversely the Federal Reserve can discourage lending or actually curtail it by raising the legal minimum reserve ratio, by discouraging the rediscounting of bank loans by raising the rate of discount, and/or by selling bonds on the open market. Besides this, they provide the bulk of the currency of the country by the issuance of Federal Reserve notes, and through the increase or decrease of these notes, the purchasing power of the nation can be increased or decreased.

The fear of continued inflation results from the lowering of the minimum standards by which the Federal Reserve guides credit policy and its administration too often, but not always, in favor of cheaper credit. Only one significant tightening by statute can be observed. When the System was set up and national banks were required to join and state banks were encouraged to, the legal minimum reserve ratios were decreased, with this final result in the 1917 amendment to the Federal Reserve Act: Reserve ratios for banks in Central Reserve Cities (New York and Chicago) from 25% to 13%; for banks in Reserve Cities (other large cities), from 25% to 10%; and for country banks (everything else), from 15% to 7%; and for time deposits for all, to 3%. In the Thomas Amendment of 1933, the System was authorized to raise the legal minimum reserve ratio to double these figures if in the judgment of the authorities such was desirable. This power has been used almost to the limit. In so far as this technique alone is concerned, discouragement of lending or actual curtailment or credit would have resulted, had not other policies counteracted the influence.

Congress and Credit Controls

Other than this, the record of Congress is discouraging as every statutory change has permitted a relaxation of those controls which restrict credit and thus preserve the value of the dollar. Let us enumerate them.

Originally the relations of the Federal Reserve with its members were based to a considerable extent upon self-liquidating loans. If the bank needed more accommodation, it could present short-term loans on self-liquidating transactions (such as the shipment of cotton or wheat) to the Federal Reserve and receive Federal Reserve notes. Upon expiration of the loan, a corresponding amount of notes would be retired. Thus credit came into being for business and was retired when the transactions which were financed were completed. But in 1932, government securities could be used for collateral behind the notes, thereby reducing the need of pledging gold. When a self-liquidating transaction was completed, notes were retired, but when the notes were collateralled by bonds, the self-liquidating nature of their issuance disappeared, and the credit tended to remain outstanding. This permits inflation without any correction. Inflation may not follow, but it is thereby permitted. A dog on leash cannot run away; a dog not on leash may not run away if under the control of his master, but there is certainly less to prevent him from doing so.

Originally the Federal Reserve Banks had to redeem their Federal Reserve notes in gold on demand. This certainly was a potential control on the amount of notes outstanding. In 1933 they were forbidden to redeem in gold on demand, gold certificates were made the collateral, and these could not be paid out to the banks or to the public. So here too vanished one absolute control.

Then in the 1930's the Federal Reserve abandoned qualitative criteria as to the nature of the paper presented to the banks and placed the emphasis upon the aggregate amount of credit, rather than upon the purpose for which the credit was to be issued, as was done in the beginning. This was not a statutory change, I believe, but it represents a deterioration in the protection of the value of the dollar.

Then there occurred in the 1930's an increase in reserves, of which the impact was felt later. Gold flowed into the United States in quantity in large part because of the fears engendered by Hitler's and Mussolini's actions in Europe; perhaps in part because of hopes of recovery in the United States and the possibilities which foreigners saw in investments here. This gold, though not available for redemption of notes and deposits, nevertheless made possible the issuance of more gold certificates and practically removed any controls upon credit creation.

Another change was the purchase of government bonds by the Federal Reserve. This began in the depression when the securities markets were in a state of chaos, and it was thought desirable to stabilize the government bond market. This was commendable, but by buying bonds, it built up the reserves of the banks. For the time being, these growing reserves were little utilized. But a perusal of the charts of the Federal Reserve System shows that the excess reserves of the 1930's became the basis for greatly increased credit in the war and postwar periods. Increased credit does not seem to be reversible, but leads to further deterioration. Indeed this purchase of bonds on the open market became the most potent inflationary force in the postwar period and especially in the period of the Korean War. Political pressure by the Treasury compelled the Federal Reserve to continue the purchase of bonds long after the Board of Governors wished to quit that, and while the Board undertook counter measures, they were seriously ineffective. Not until the accord was reached in March, 1951, when the Treasury agreed not to press the System to buy bonds further, and the Open Market Committee limited its purchases to special situations, was the inflationary increase halted. But by that time so much damage had been done that the accord almost looked like locking the garage after the car was stolen.

When the Federal Reserve was established, the banks were required to keep a gold reserve of 40% against their note liabilities and 35% against their deposits, which were largely member banks' deposits (their legal and excess reserves) and government deposits. In 1945, these ratios were both reduced to 25%. Although the reserves of the System are so large that they are considerably in excess of the minimum, here is a reservoir of greatly expanded potential credit which makes possible serious inflation.

Another loosening of controls came in 1942. In 1935, Congress specifically provided that the System could buy bonds on the open market only. If the banks bought directly from the government, they would simply increase government deposits, and none of this would come out of savings. Creation of credit in excess of savings is inflationary, and Congress wished to prevent that. But in 1942, Congress provided that the Federal Reserve Banks could buy bonds directly from the United States Government, thus increasing deposits of the government directly without invoking savings. This was thought to be necessary to facilitate war financing. But it would be inflationary to the extent used. This was to expire on June 30, 1954. The Federal Reserve does not need this power, and its very existence encourages inflation, yet its renewal by Congress seems assured.

Each of these changes has been justified at the time by some plausible explanation and argument. Each was regarded as desirable or necessary. Yet in toto they have added up to substantial postwar, even wartime, inflation. Like Hitler's "last territorial demand" of the 1930's, no one encroachment justified world war, but together they added up to a bid for dictatorial power which finally compelled the other nations to meet the challenge of war. So is it with these changes in the Federal Reserve. No one of them is fatal to adequate control, but taken together, they all open the door to serious inflation. The pattern here is obvious. We set a regulation which is deemed necessary as a safeguard, then when the restraint is showing its effectiveness as a safeguard, when the conditions against which the regulations are designed to protect us begin to appear, groups feel the pressure of the restraints, and a demand is made for their relaxation. Then follows the change, always "justified" of course in some plausible way. The immediate advantage to the few takes precedence over the long-run damage to the majority. Not all of these changes have actually directly led to inflation, but enough of them have worked together to cut the value of the dollar almost by half in a dozen years.

Original Motive for Federal Reserve

Originally, a main intention of the System was to ease the seasonal factors which sometimes led to distress, by rediscounting self-liquidating paper and buying bonds on the open market to build up member banks' reserves and tide them over. Then with the seasonal emergency past, the credit expansion was reversible. Now with government bonds as collateral on advances to the member banks, the credit expansion is still reversible, but not necessarily so. The bonds can be sold and the increased reserve kept permanently by the discounting banks, aided, if need be by the lowering of the legal minimum reserve ratios. Indeed, the recent lowering of reserve ratios was justified by the seasonal argument, as probably was the lowering of rediscount rates. But the question arises whether, when the seasonal factor has passed, the easing of credit will be reversed, or whether they will be allowed to continue, to become the broader base for further inflation later.

But no matter how serious may be the intention of the Federal Reserve to combat inflation, the United States Government can completely nullify its efforts. A government deficit makes for inflation, especially if the commercial banks buy bonds directly from the government, for they literally "create credit out of thin air." This can lead to a secondary stage of inflation if the banks sell these bonds to the Federal Reserve and thus build up their reserves for more loans and deposits.

But specific programs authorized by Congress are definitely inflationary if the budget is not balanced, and, it may be argued, may be inflationary if the budget is balanced: government guarantee of loans; lending by governmental agencies; gifts or loans to foreign countries; farm price supports; the purchase of certain metals, whatever the excuse; stockpiling of goods; subsidies or other incentives to shipbuilding, ship operation, and aviation; and aids to state and local governments for roads, hospitals, schools, and other public works. That anyone in charge of such operations should ever link his work to the problem of general credit control is not to be expected, and Congress apparently does not see any such relationship. Add to this the enormous size of the debt already and the problem of debt management, and the obstacles to credit control are formidable indeed.

On the whole, it seems to me that this pattern has been unfolding in the last several years: Inflation is not recognized soon enough, and the steps taken to combat it are too little and too late. Then a downturn begins, political and business pressure demand the easing of restrictions, which action may slow deflation, but whatever the result, lay the foundation for greater inflation later. So—will the dollar go the way of the franc and of the lira in years to come?

London Stock Exchange Boom Continues

By PAUL EINZIG

Commenting on the firmness of the London Stock Market, Dr. Einzig ascribes it to widespread optimism about the economic situation and outlook. Holds rise in British wages has been offset by greater productivity, while removal of various controls inherited from the war is a factor creating an optimistic atmosphere.

LONDON, Eng. — The London Stock Exchange continues to display a cheerful appearance. The success of the latest conversion operation, in which 80% of the stockholders accepted the Treasury's offer, resulted in another notable rise in the market for Government Loans. Their average quotation, though still some 15% under the high level reached during Dr. Dalton's cheap money boom, has now reached the level at which it stood at the time of the devaluation of sterling in 1949. It fully recovered the ground lost as a result of the balance of payments crisis of 1951 and the defensive measures the government was impelled to take in the form of raising the Bank Rate to 4%. It is worth noting that, although the Bank Rate is still 3%, government loans now stand as high as they did when the Bank Rate was 2%. Industrial equities in general have also fully benefited by the rising trend.

Dr. Paul Einzig

The firmness of the Stock Exchange is all the more remarkable as the rise has coincided with disquieting political and military developments in French Indo-China. But it seems that the public takes an optimistic view about the international situation. The feeling is based on the belief that the conclusion of a "cease-fire" agreement at Geneva, foreshadows the possibility of broader agreements later. Evidently more importance is attached to the removal of the danger of an extension of the war in the Far East than to the collateral developments.

Nor are investors and speculators unduly concerned about the indication of an increase in the popularity of the Labor Party, as shown by recent public opinion surveys. It is now assumed that there will be no general election this year, so that little importance is attached to the fluctuations of Gallup Poll figures. The relative proportion of government supporters and opponents may become reversed several times before it will assume practical significance from the point of view of Stock Exchange tendencies.

The firmness of the Stock Exchange is largely attributable to widespread optimism about the economic situation and outlook. Earlier in the year the possibility of an increase of unemployment through a decline of vital exports was largely envisaged. The foreign trade figures for the first half of 1954 provided no confirmation for such pessimism. Indeed the adverse visible balance was much smaller than in the corresponding period of 1953. This in spite of the growing competition of German and Japanese industries, and of the rising costs of production in Britain due to the inflationary wages spiral. It seems that in spite of higher wages British prices are still competitive. Moreover, British delivery dates are now much more favorable than they were until recently. Although some industries continue to lose orders owing to the long delivery dates, they are compelled to quote, this is no longer a major handicap to British exports in general.

It seems that the rising wages have been offset to a large degree by increasing productivity. The nation's wages bill is heavier, but so is the national output over which the heavier costs are spread. The situation varies, of course, from industry to industry but generally speaking it is probably true to say that the higher level of wages corresponds more or less to the increased productivity. Admittedly, if a large proportion of the wages demands at present under consideration should be conceded the rise in costs is liable to exceed the rise in output. On the basis of the experience of the last year or two, however, pessimistic forecasts in this respect do not meet with widespread response.

The progress in the removal of various controls inherited from the war and from the Socialist regime is also a factor which has contributed towards the creation of an optimistic atmosphere. As the memory of the war has receded into the distant past, the various forms of government interference with economic life has come to be resented more and more especially as progress towards economic freedom has been much speedier in many other countries than in Britain. The psychological effect of the trend towards the restoration of a free economy in Britain has been helpful to a marked degree in bolstering confidence of investors. In particular the fact that, after some passing fluctuations, the decontrolled meat trade has settled down normally, has given rise to optimism about the effects of decontrol in general.

Above all, the weakening resistance to dividend increases has continued to produce a favorable effect on the Stock Exchange. Even though Socialist speakers continue to denounce dividend increases as acts of wicked profiteering, generally speaking there is less obvious ill-feeling about the upward trend of dividends. It is realized to an increasing extent that the artificial situation created by the dividend limitations in recent years cannot be upheld indefinitely, and that bookkeeping values of company assets cannot be kept indefinitely at an artificially low level. Hidden reserves of considerable magnitude are expected to come into the open in balance sheets. This process of readjustment is bound to be accompanied by a rise in equities. The yield of first-class industrial equities is very low at their present prices, but it is assumed that increased dividend distributions and bonus shares issues will more than justify their recent firmness.

An other cause for the favorable undertone of the Stock Exchange has been the realization that the government is not likely to plunge into convertibility at an early date. The freedom of transfers abroad is the only freedom which is viewed with mixed feelings in business circles. It is realized that the convertibility of sterling would entail grave immediate disadvantages to British business. Many countries would restrict their purchases of British and Sterling Area goods, in order to secure a convertible sterling. Colonies and other holders of sterling would place in the Dollar Area orders which in existing conditions would be placed in Britain. Continental countries would dump their manufactures in Britain and the Sterling Area for the sake of earning convertible sterling. All this would be bad for British business. Moreover, the defense of convertible sterling might entail dear money and credit restrictions. The possibility of a repetition of the convertibility crisis of 1947 is also envisaged. It is no wonder therefore than the removal of the convertibility date is regarded as a bull point for the London Stock Exchange.

The view is widely held that in the absence of disturbing factors such as a deterioration of the international political outlook, or a marked weakness in sterling, the Stock Exchange is likely to retain its present cheerful tone for some time to come.

Dempsey-Tegeler Opens Beverly Hills Branch

BEVERLY HILLS, Calif. — Dempsey - Tegeler & Company have opened a branch office at 464 North Bedford Drive under the management of Nelson Douglass, Jr. Mr. Douglass was formerly president of Douglass & Co.

Continued from first page

Outlook for the Air-Conditioning Industry

it in one package.

Central Station Equipment for large commercial and industrial structures.

The Room Cooler Market

The room cooler market has had the most spectacular growth. Sales increased from 75,000 units in 1948 to about 1 million units in 1953. In the first five months of this year, manufacturers' shipments almost equaled those for the 12 months of 1953. The result has been excess distributor inventory, price cutting and all the troubles that accompany overproduction.

We feel that a large part of the market for room coolers will be taken over, in time, by residential units, such as Worthington introduced this year. Central residential systems do for a house what five or six room coolers cannot do. They cost less, provide central automatic control, are much less noisy and afford better air distribution.

The market for year 'round units is in its infancy but coming fast. The best industry estimates are that 10,000 were sold in 1952, from 50,000 to 60,000 in 1953, and that 1954 will see 120,000 units sold.

The housing boom accounts for much of this growth—new housing starts have been at the rate of 1 million units a year for the past seven years. In addition, nearly 6 million existing homes are equipped with forced warm air circulating systems which can readily be converted to year 'round air conditioning, and another 7½ million homes are heated by gravity air systems which require only moderate alteration of ductwork to be converted to air conditioning.

A very interesting study of the mechanical, financial and human factors involved in home weather control is being conducted at Austin, Texas, where a "research village" of 22 homes has been built, each with a different type of year 'round residential system. Each dwelling is occupied by a selected family which bought its home for about $12,000, plus land costs, and agreed to cooperate in the research studies for one year. The experiment is sponsored by the Research Institute of the National Association of Home Builders, in cooperation with the Air Conditioning and Refrigeration Institute, the University of Texas, and some 50 other organizations and companies, including Worthington.

The study will try to answer such questions as the economic practicability of air conditioning in homes costing as low as $12,000; comparative costs in frame, masonry and combined brick and frame dwellings; behavior of children in a comfortable environment; incidence of colds and allergies, and effect on housewives. We look forward to the results of this study because we think they are going to demonstrate not only the practicality of air conditioning in homes of all sizes but the great benefits that it brings to family life, particularly to the comfort, well-being—and disposition—of the housewife.

Commercials Package Units

We are very optimistic about the outlook for commercial packaged units such as we are currently building here in Decatur, Alabama. We expect sales of this equipment to double during the next five-year period, and to double again in the succeeding five years, levelling out at approximately one-half billion dollars per year by 1964.

Central Station Equipment

The market for central station equipment for large commercial and industrial buildings is difficult to estimate because of the complexity of the installations and the many components and services involved. But we are a long way from saturation in those markets. Take, for example, the great potential in office space alone. Real estate experts tell us that when 15% of the desirable rentable space of over 12 million conditioned, it becomes a competitive necessity for all other buildings in the city. In New York, for instance, 51 new air conditioned buildings with rentable space of over 12 million square feet have been built since 1947. There are 343 reasonably modern non-air conditioned structures containing more than 67 million square feet of space in the area, and the pressure is certainly on the owners to air condition in order to retain tenants and rate structures.

Central station equipment is a field in which Worthington is preeminent. We look forward to a large increase in our sales of heavy apparatus for this market.

While we are optimistic about the future of air conditioning, let me repeat a warning which Mr. Ramsey, President of Worthington, made when he spoke in Decatur, Ala., last November.

He said it would be quite wrong to suppose that all anyone needs to do is to rush in and scoop up the dollars with his hat. The companies which come out on top in the air conditioning race will be those with the best engineering skill, manufacturing know-how and sales ingenuity.

Competition is keen, and in the short space of two years the picture has changed considerably. The spring and summer of 1952 were excessively hot in most parts of the country. The public demand for air conditioning exceeded the ability of the industry to supply it. This demand continued into 1953, and the boom was aided by widespread publicity both within and without the industry. During 1953 virtually every national magazine carried feature articles on the industry and predictions for its future growth, some verging on the fantastic.

As a result many companies, large and small, have rushed into the field. Whereas there were about 50 companies marketing room air-conditioners under their own brand names a year ago, today there are 125. Some of these names are well known to the public. Others are newcomers.

If we judge by the history of the automobile and electric refrigerator industries, it is not difficult to foresee what will happen in air conditioning in the years immediately ahead.

Overproduction and Price Cutting Expected

With many new producers competing for the markets in room coolers and small commercial and residential units, there will be over production and price cutting that will eliminate many of the weaker companies.

Several factors are contributing to bring about this shakeout.

First, there was a general downturn in business during the first six months of 1954. This downturn now appears to have run its course, and business activity is turning upward again. However, the experience left its mark in some quarters.

Second, we have had an abnormally cool spring and early summer this year in most parts of the country which has retarded impulse buying of air conditioning equipment. The effects have been felt principally in the field of room air conditioners and other small equipment.

Third, we have had overproduction of room air conditioners and packaged air conditioners.

The result of these factors is an excess of manufacturers' and distributors' inventory of these two types of equipment, leading to price cuts in one form or another.

The opportunists who have come into the industry are not only at the manufacturing level. They exist at the distributor and dealer levels as well — attracted by the prospect of a fast buck and subject to the same mortality factors as the opportunists who have entered the manufacturing side of the business.

As far as Worthington is concerned, I need only say that these developments were fully anticipated and we took account of them in our plans — we would have liked better weather, but we knew better than to count on it. Our air conditioning and refrigeration business during the first six months of 1954 is 30% ahead of the same period of 1953. We expect to have our ups and downs and our periods of adjustment to the ever-changing conditions in our industry. The future looks good to us, and we expect our plant in Decatur to play an important part in our long range expansion program in air conditioning and refrigeration.

Making America a Better Place To Live In

So far I have been talking about air conditioning in business terms, from the manufacturer's viewpoint. Now I want to add a few words about the ways air conditioning makes America a better place to live in. I don't mean simply that it makes your home, office, theatre or factory more comfortable. It has some other virtues which may be of interest.

Because of man's machines for controlling indoor weather, your butcher's scales are more accurate, your chocolate-coated candies and wafers are more appealing and your television set works better. Many of the parts of television receivers are assembled under carefully controlled humidity conditions. Candies get their smooth coating when dipped in chocolate under controlled temperatures. Worthington has been supplying equipment for controlling the air in chocolate "enrobing tunnels" for more than 50 years.

The weights used to make your butcher's scale accurate are checked against your State's standard weights, which in turn have been checked at the National Bureau of Standards.

This checking is done in an air conditioned basement room in Washington. Both the standard weights and the weights to be checked are placed in the room for 24 to 48 hours in advance. At the end of that time, they reach a "thermal equilibrium" which assures proper comparison. The checking operation is so accurate that the man running the test must stand 10 feet away from the weights. He manipulates them with a mechanical hand attached to the traditional 10-foot pole. His body heat must not interfere with the check tests. Many industrial gauges and other manufacturing devices are also checked in air conditioned rooms.

Man has tried to control indoor weather since the ancients hung wet towels over their windows. The early Egyptians used ice and slave-operated fans to alleviate the intense heat of the Nile Delta, and it is a matter of record that Leonardo da Vinci designed an air-cooling device in the 16th Century.

Air Conditioning in Its Commercial Application

One of the first commercial applications of air conditioning was to control the atmospheric conditions in a printing plant in Brooklyn. Since then its applications to industry may be classified in four broad categories:

First, air conditioning is essential in those industries which process hygroscopic material, that is, material which either absorbs water vapor or releases it. Such industries include munitions, candy and confections, cereals and food products, leather, paper, pharmaceuticals, plastics, printing, textiles and tobacco.

Second, air conditioning is a virtual necessity in controlling the rate of chemical and biochemical reactions, as for example, in the manufacture of rayon and the curing of macaroni. Air conditioning also makes possible the production of antibiotics, through the control of the rate of growth and the character of bacteria, molds, enzymes and other microorganisms.

Third, the manufacture of precision products involving temperature control is heavily dependent on air conditioning equipment. Examples in this category are optical goods, cameras, aircraft components, automatic telephone exchanges, precision gauges and instruments, to name but a few.

Finally, carefully conditioned atmosphere is necessary in industries where the rate of cooling of a saturated solution determines the size of crystals formed—for example, in the cooling or tumbling pans for pills, chewing gum and other coated products.

The use of air conditioning in manufacturing processes and in laboratories led to the discovery that cool, clean, dry air is good for people as well as for products. It increases worker efficiency, reduces absenteeism and labor turnover, and cuts down waste and accidents due to fatigue. So we have a big market for air conditioning industrial plants primarily for the benefit of workers themselves. Our own plant here in Decatur is an example.

One expert has pointed out that the average man takes in 7½ pounds of food each day and he insists that it be clean, even sterilized. But he takes in 35 pounds of air—raw, uncleaned, dust-laden —by breathing some 22,000 times a day. The filtering process alone is one of the big obvious virtues of air conditioning.

An enthusiastic testimonial on the worth of air conditioning of office space was offered recently by the County Engineer in Houston, Texas. Since his quarters have been moved to the new, completely air conditioned $8 million courthouse, his staff can turn out a third more work. "The draftsmen no longer have to put handkerchiefs and rags under and around their forearms to keep perspiration from smearing their drawings," says the County Engineer. "Since we've been in air conditioned quarters, we are turning out 30% more work per man. . . . And besides people working in air conditioned quarters are not sapped of energy when they leave the office after a day's work. That makes them a lot happier."

Summary

To summarize:

Growth of the air conditioning industry has been one of the economic wonders of the 20th Century. The air conditioning requirements for manufacturing and for the cooling of factories, offices, stores, theatres, restaurants, homes and other buildings assure a vast market for many years to come. But hard work, sound research, good organization, skillful manufacturing, wise marketing and painstaking experience will be needed for success.

We at Worthington look to the future with confidence. We have a long range program of expansion. Our Decatur plant is an important part of that program. As a further step, we have recently acquired the name, assets and goodwill of the L. J. Mueller Furnace Company of Milwaukee, subject to final approval by the Mueller stockholders at a meeting to be held shortly. Mueller heating equipment and Worthington's cooling components will be combined into packaged year 'round home air conditioning units. This important merger will further strengthen our position in the air conditioning field.

Continued from page 4

The State of Trade and Industry

was 106.9 in June. The index is based on the average output of 1947-49.

The production in the second quarter, totaled 21,804,675 tons and was 4.4% above the average for 1947-49. The first quarter production was 22,324,323 tons or 8.1% above the average for 1947-49.

The output in the first half was 71.5% of the capacity as rated at the start of this year whereas the second quarter production was 70.3% of capacity. The June output was 72.0% of capacity and the annual steelmaking capacity at the start of this year was more than 124.3 million net tons.

Automobile Sales Off

According to the latest bulletin of "Ward's Automotive Reports" new car sales in the first 10 days of July slipped 43% below the high level of business noted in the closing 10 days of June. The downturn put new car deals at the lowest daily rate since mid-February. Nevertheless inventories dipped 1.4% below the June 30 count.

However, the report states, the holiday held the selling season to eight days against nine the prior period. On a daily basis, new car deliveries were 36% below the previous 10 days and 15.2% under the initial 10 days of June, as an average of 16,300 cars a day were retailed.

The dismal performance has dampened somewhat industry hopes of paring stocks below the present level; a plateau that finds cars on hand equaling a 35-day supply on the basis of the July 1-10 sales pace.

Electric Output Is Up for the July 24th Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 24, 1954, was estimated at 8,951,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 152,000,000 kwh. above the preceding week, or an increase of 643,000,000 kwh. over the comparable 1953 week and 1,775,000,000 kwh. over the like

week in 1952. The largest gains in power output continues to be shown in the West Central, Southeast and South Central Regions

Car Loadings Drop for July 17 Week

Loading of revenue freight for the week ended July 17, 1954, totaled 694,545 cars, the Association of American Railroads announced. This was a decrease of 96,869 cars or 12.2% below the corresponding week in 1953, but an increase of 85,545 cars or 14% above the corresponding week in 1952, when loadings were reduced by a strike in the steel industry.

Loading of revenue freight for the week ended July 17 increased 124,983 cars or 21.9% above the preceding holiday week.

Business Failures Dip, but Are Above Year Ago

Commercial and industrial failures dipped to 188 in the week ended July 22 from 226 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties continued above the 184 and 137 which occurred in the similar weeks of 1953 and 1952. Compared with the prewar level, failures were down 45% from the 1939 toll of 251.

Failures involving liabilities of $5,000 or more dipped to 163 from 192 last week, but were more numerous than a year ago when 161 concerns succumbed in this size group. Small casualties, those with liabilities under $5,000, dipped to 25 from 34 yet remained slightly above their total of 23 in 1953. Twenty-three businesses succumbed with liabilities in excess of $100,000 as against 15 a week ago.

Retail trade accounted principally for the week's decline; its casualties dropped to 85 from 114, while mild dips brought manufacturing down to 35 from 39, wholesaling down to 22 from 28, and commercial service down to 17 from 21. The only increase during the week occurred in construction which rose to 29 from 24. More wholesaling, construction and commercial service businesses failed than a year ago, but in other lines casualties were lower than 1953.

Canadian failures remained the same as last week with 24 as compared with 30 a year ago.

Midsummer Brings Reduction in Retail and Wholesale Trade

The total dollar volume of retail trade in the week ended July 21 was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England —8 to —4; Pacific Coast —6 to —2; Midwest —5 to —1; South —4 to 0; Southwest —2 to +2; East and Northwest +1 to +5.

Soaring temperatures slowed retail activity in many parts of the country; most main-floor business was better than that of basement departments. Vacation and recreational spending increased, and consumer credit continued to expand.

In spite of price reductions and heavy selling pressure, apparel merchants reported a decline from the sales of last week. Men's clothing registered improved demand in sports shirts, hats, and slacks, but the volume of suit sales dipped. Summer-into-Fall cotton dresses, beachwear, and separates were among the best sellers in women's clothes. Buying of higher-priced Fall coats and suits increased in some sections of the country.

According to the Federal Reserve Board index, department store sales in New York City for the weekly period ended July 17, 1954, registered an increase of 4% above the like period of last year. In the preceding week, July 10, 1954, a decrease of 15% was reported from that of the similar 1953 week while the four weeks ended July 17 showed an increase of 1%. For the Jan. 1 to July 17 period no change was registered over the similar 1953 period.

In using a year ago comparison for the week ending July 10, allowance should be made for the fact that in observing the Independence Day holiday, store closings occurred in the week ending July 10 this year whereas last year store closings occurred in the previous week.

Total wholesale buying in the week ended July 21 was slightly below that of last week; the dollar volume of trade was much smaller than a year ago in all major lines except food.

The textile markets continued in a between-seasons lull, as many mills, dyehouses, and finishing plants remained closed for vacations this week. Cotton print cloths, broadcloths, and sheetings moved slowly, most often for spot and nearby delivery. Some denim mills reported increasing orders, but a decline was registered in bark cloths and other drapery staples.

Food buying was slightly below that of the prior week but well above a year ago. The demand for red meat declined, although supplies increased; there was active buying of poultry.

Wholesale Food Price Index Unchanged, but Commodity Price Level Continues Mildly Upward

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., for July 20 continued unchanged at the previous level —$7.23. This compared with $6.75 on the corresponding date a year ago, or a rise of 7.1%.

Higher in wholesale price this week were wheat, corn, rye, oats, barley, hams, lard, butter, cocoa, and eggs. Lower in cost were flour, bellies, coffee, tea, steers, hogs, and lambs.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level. Figures for recent dates follow:

The general level of commodity prices continued to edge mildly upward this week. The Daily Wholesale Commodity price Index, compiled by Dun & Bradstreet, Inc., rose to 272.93 on July 20, from 272.87 a week earlier, and compared with 284.13 on the corresponding date a year ago.

Grain markets were generally higher this week with wheat and soybeans scoring impressive gains. A large volume of the new crop movement was reported being placed under Government loan. Steadiness in corn was influenced by record high temperatures over a large part of the corn belt and fears that drought conditions might result in serious crop deterioration. Oats and rye prices advanced along with other grains. Trading in grain and soybean futures on the Chicago Board of Trade was quite active.

Bookings of hard Winter wheat bakery flours were extremely slow this week following the heavy buying movement of last week when bakers and jobbers generally covered their requirements for the next three to four months. Cake and family type flours were likewise quiet despite mill protection against further price advances. Cocoa values moved higher this week following the downward trend in evidence during the preceding period.

Coffee prices moved over a fairly wide range and finished slightly under a week earlier. Roaster demand for coffee in the actual market was slow, reflecting the Summer lull in coffee drinking, coupled with resistance of consumers to paying current prices. Domestic raw sugar displayed a somewhat better tone aided to some extent by the continued hot weather. Some price shading in refined sugar was noted in the West influenced by the prospect of a large sugar beet crop. Prices for steers and hogs trended downward during the week as hot weather curtailed demand for meats. Lambs were down sharply under increased receipts.

The trend in cotton prices was upward this week with most future contracts reaching new high levels for the season. Reported sales in the ten spot markets rose to 47,700 bales, from 23,400 a week earlier, but were under the 87,000 in the like week a year ago. CCC loan repayments on 1953-crop cotton in the week ended July 9 continued at a low level and totalled 21,000 bales, while total loans outstanding as of that date were reported at 5,229,000 bales. Sizable yardages of cotton print cloths were reported sold into the first quarter of 1955.

Metropolitan Life Insurance Co. Asserts Average Length Of Life in U. S. A. Has Increased to Nearly Three Score and Ten

Average length of life in the United States, based on the experience in 1951, has increased to a new high of 68.5 years, which is a gain of about 20 years since the turn of the century, statisticians of the Metropolitan Life Insurance Company report.

The increases have been greatest at the younger ages, and diminish progressively with advance in age. For example, 11 years have been added to the average future lifetime at age five, compared with a gain of nine years at age 20, and of five years at age 40.

Even at age 65 the expectation of life has increased by 2.5 years during the half century. The average man reaching that age can now look forward to 13 additional years of life and the average woman to about 15½ years.

National Summary of Business Conditions

Federal Reserve Board reports steady business conditions in June, with production index little changed from previous two months, but 9% below a year ago.

An interesting and informative review of general business and financial conditions in the United States based on June statistics and also the first July week has been issued by the Governors of The Federal Reserve System. This is the way things look to the Federal Reserve authorities:

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.

Industrial Production

The Board's seasonally adjusted index of industrial production in June and May, according to preliminary data, was 124% of the 1947-49 average. This level was slightly above March and April, but 9% below a year ago.

Output of Durable Manufacturers showed no change in June mainly as a further contra-seasonal increase in steel production offset a decrease in auto output. Subsequently steel mill operations were curtailed sharply around the July 4th holiday. In the week ended July 17 steel ingot production increased to 65% of capacity but was below the 72 rate in June, owing largely to seasonal influences. Activity in most metal fabricating industries was generally maintained in June. Output of military equipment produced in these industries, however, showed further curtailment.

Auto Assemblies were reduced in June from the advanced seasonally adjusted rate reached in May and some further curtailment was indicated in early July. Output of major household durable goods expanded further in June reflecting mainly continued strength in television production and an increase in furniture output. Total production of major household goods has recovered nearly one-half of the decrease shown after mid-1953.

Lumber Production was reduced in the latter part of June owing to work stoppages in the Pacific Coast region but output of most other building materials apparently continued in very large volume.

Output of Nondurable Goods also generally continued steady in June at a level 3% above the lows reached earlier this year. Some further small recovery developed in various branches of the chemical and textile industries. Production at paper mills, which reached record levels in May, did not show the usual June seasonal increase, although demand for paper and paperboard was very active.

Construction

New construction expenditures in June, seasonally adjusted, were close to the record May total. Major categories of private and public work changed only slightly. Value of contract awards decreased 10% in June from the exceptionally high May totals. The number of new housing units included in appraisal requests to VA and in applications to FHA increased further in June.

Employment

Increased stability was evident in the labor market in June. Unemployment at 3.3 million showed little change, although there is usually a seasonal increase. While employment in durable goods manufacturing industries declined further, employment was relatively steady in most other nonagricultural establishments at close to peak levels. The average factory workweek increased somewhat further in June but was about an hour below year-ago levels. Hourly earnings were up slightly and were about 2% above last June. The steel wage settlement effective July 1 provided for a rise of 5 cents an hour and various other benefits.

Agriculture

A feed grain harvest in 1954 about one-eighth larger than in 1953 was officially forecast in early July. With carryovers already large, total feed supplies were expected to exceed earlier record levels. Wheat and cotton acreages, under Federal production controls, were indicated to be one-fifth less than in 1953. Total crop acreage and output were forecast to be about equal to last year.

Distribution

Sales of new and used autos showed a striking rise in June, and with increases in apparel and other general merchandise, total retail sales are indicated to have expanded to near the high year-ago level. Department store sales were 5% larger than in May and were apparently maintained in early July, after allowance for the usual seasonal change. The preliminary June index of 113% of the 1947-49 average compares with an average of 108 for the first five months of this year.

Distributor inventory developments in June were featured by a substantial decline in dealers' stocks of autos. At department stores, stocks showed little change in May at a level 5% below the year-ago value.

Commodity Prices

Prices of farm products changed little from mid-June to mid-July following a decline earlier to last autumn's reduced level. Wheat recovered one-half of the earlier seasonal decline as most of the new crop was going under government loan. Hog prices also recovered somewhat as marketings fell off, but the lower grades of cattle declined.

Average prices of industrial materials rose, owing largely to increases of about 3% in finished steel and advances in lumber — especially Western types. Tin, rubber, and some textiles also increased, but steel scrap, petroleum products, and fats and oils declined. Prices of sheets were raised, and increases in carpets were announced, effective Aug. 1. On the other hand, new television models were introduced at lower prices.

Bank Credit and Reserves

Bank loans and investments increased after early June, reflecting mainly additional purchases of U. S. Government securities. Business loans rose sharply in mid-June as concerns borrowed to obtain funds for meeting quarterly income tax payments; subsequently, they declined again.

Member Bank Reserve positions were generally easy during the latter part of June and early July. Excess reserves of member banks exceeded their borrowings at the Federal Reserve by about $800 million. During this period, over $600 million of reserve funds were released to banks through reductions in reserve requirement percentages. Additional reductions to take effect later this month and on Aug. 1 will release an additional $900 million of reserves. Some reserve funds were absorbed in late June and early July by seasonal currency needs, a decline in float, and a reduction in Federal Reserve holdings of U. S. Government securities.

Security Markets

Treasury bill rates advanced slightly, but yields on other government securities declined moderately from mid-June to mid-July. Yields on high-grade municipal bonds declined sharply, while corporate bond yield were steady. Common stock prices rose further following a sharp decline in the second week of June.

EATON & HOWARD Balanced Fund's 1954 semi-annual report shows asset value per share of $17.54, up 12% over $15.67 per share at the beginning of the year—both figures adjusted for the 2-for-1 stock split on June 30. Total value of the fund on June 30 was $119,936,648, up from $101,-963,256 at the beginning of the year. Shares outstanding total 6,836,188 compared with 6,507,970 and the number of shareholders 21,078 compared with 20,359.

On June 30, 1954, 9.2% of the fund was in cash, U. S. Government and short-term notes, 15.7% was invested in corporate bonds, 13.9% in preferred stocks and 61.2% in common stocks. The largest common stock holdings were in the oil (12.2%), power and light (10.9%), insurance (5.3%), banking (4.8%) and chemical (4.3%) industries.

Changes in investment during the second quarter of 1954, other than U. S. Governments and short-term notes, included the addition of Panhandle Eastern Pipe Line 3⅛s, 1974, Allis Chalmers 4.08% convertible preferred, and the following common stocks: Eli Lilly & Co., class B., Northern Natural Gas Co., Pfizer (Chas.) & Co., Puget Sound Power & Light, Sinclair Oil and United States Steel.

Eliminated were holdings of American Tobacco Co., 3s, 1962 and the following common stocks: American Tobacco, Federated Department Stores, Motorola, Philip Morris, Reynolds (R. J.) Tobacco and United Fruit.

Mutual Funds

By ROBERT R. RICH

Is Service the Key?

The Stock Exchange's Monthly Investment Plan—sometimes called the "pay-as-you-go stock plan"—was given a slick going-over this month by "Tide" magazine," comprehensive advertising and marketing trade journal. The essence of the report was that the wheels were turning furiously but the Exchang'es program wasn't getting anywhere, even with a half-million dollars in advertising being placed in 500 newspapers, and with window displays, marketing kits and direct-mail letters being given to Exchange firms to help them along in their own efforts.

"Tide" headlined the report, "Stock plans founder on the rocks of apathy," commented that the response is "pitifully small," and that "the marketing paralysis is largely the result of a mental block to a basic understanding by members about how to handle MIP."

This report on MIP is in sharp contrast, of course, with the record gains made, quarter after quarter, by mutual funds in total net assets, shares outstanding and number of new shareholders.

Why the difference? Why the electric growth in one element of the securities business and "apathetic sales" in the other, particularly when the marketing objective (to use the argot of the up-town agencies) of both the Exchange's plan and of mutual funds is identical—the inclusion of middle-class income-earners within a program of systematic or periodic investing in equities.

By rote, many people, familiar with mutual funds, might, in answer, say that mutual funds offer professional management, continuous supervision and diversification—the trinity well-known by now to everybody in the securities business.

However, is there an additional answer to this puzzle? Is it, perhaps, that mutual funds, during the greatest years of their growth so far have been concentrating on *service* to their investors?

And the next question, logically, is how appealing are these service features to a prospective investor, presuming he has decided to invest in equities in some fashion.

In contrasting the two—do the service features give to mutual funds the essential competitive edge to make their sales click?

Certainly, periodic investing, automatic reinvestment of dividends, four dividend checks a year (or one a month with some funds, if desired, for monthly income), standard—and flexible—trust agreements, reducing term insurance to guarantee an investment goal, pre-calculated taxes on dividends received, and so on, are service features found with many or some mutual funds, and hardly ever anywhere else.

Clearly, mutual fund retailers can sell their prospects two things—the benefits of equity investing *and service*. The Exchange's MIP sells one thing—equity investing on a periodic basis.

* * *

Speaking of the service features offered by mutual funds, the business can rack up one more to its credit this month.

Commonwealth Investment Company, first in the business with a voluntary systematic payment plan, and first among dealer-distributed mutual funds with automatic reinvestment of dividends, is now first with a standard and central loan arrangement in which Commonwealth shareholders can, in an emergency, quickly, easily and quietly pledge their shares of Commonwealth Investment Company or Commonwealth Stock Fund to the Bank of California and receive a check, by return mail, for 65% of the value. Minimum loan is $200 (there is no maximum) and shares may be pledged even though certificates have not been issued. "A person," Commonwealth states, "who owns something that can be used as collateral for a loan takes comfort in this 'bonus value' of what he owns. He likes to know that he has something upon which he could borrow, even though he might never have the occasion to do so."

MASSACHUSETTS INVESTORS TRUST reports for the 3 months ended June 30, 1954, a net asset value of $23.06 per share, exclusive of a capital gain payment of 24c per share in February or the equivalent of $23.30 per share as compared with $18.60 at the close of the second quarter of last year.

The trust had total net assets of $639,851,355 on June 30, 1954, with 117,428 shareholders and 27,742,-563 shares outstanding.

These figures represent new highs in the trust's history and compare with $483,406,247 in total assets, 107,375 in shareholders and 25,993,533 in shares outstanding at June 30, 1953.

The trustees reported that in the three months to June 30, shares of the trust purchased by investors exceeded redemptions by $7,941,681 compared with $6,-632,785 for the second quarter of 1953.

The report also states that $18,-793,845 of investment holdings were added to the trust's portfolio in the quarter, compared with sales of securities from the portfolio of $13,158,048, excluding short-term notes.

SELECTED AMERICAN SHARES reports assets at June 30, 1954 rose to $32,109,526 or $15.10 a share, compared with $27,031,462 or $12.88 a share on Dec. 31, 1953 and $25,383,602 or $12.84 a share at June 30, 1953. At mid-year common stocks represented 83.3% of assets; U. S. Governments and cash, 16.7%. The company had investments in securities of 83 companies. The five largest holdings by industry were electric utility 12% of assets, oil 10%, electrical equipment & TV 8.4%, chemical and drug 7.7% and building 7.4%.

TOTAL NET assets of Shareholders' Trust of Boston on June 30, 1954 were $11,100,383, compared wth $9,035,851 on Dec. 31, 1953, according to the report.

Net assets on June 30 were equivalent to $29.58 per share compared with $25.51 a share on Dec. 31, an increase of 16% during the six-month period. The fund had 375,215 shares outstanding on June 30, an increase of 21,-051 shares since Dec. 31.

NET ASSET value of Wall Street Investing Corporation on June 30 amounted to $16.07 on each of the 288,202 shares outstanding. This was $2.49 a share higher than the $13.58 reported last June.

Net unrealized appreciation in the value of the company's investment portfolio was $1,250,400 on June 30, 1954.

Common stocks constituted 77.4% of the net asset value; government securities and net cash accounted for 22.6%.

WHITEHALL FUND, Inc. reports that the asset value of its shares increased to a new high of $21.26 per share on June 30, compared with a figure of $18.94 on Dec. 31, 1953. It is an increase of about 17% over the asset value of $18.41 reported for June 30, 1953, taking into account the December 1953 distribution of 28 cents from realized gains.

Net assets increased to $5,324,-669 on June 30, 1954, as compared with $4,893,000 on Dec. 31, 1953.

At mid-year, assets continued to be invested roughly 50% in bonds and preferred stocks and 50% in common stocks.

New common stock holdings added to the fund's portfolio during the second quarter were Bethlehem Steel, McGraw Electric, Republic Steel and Standard Oil (New Jersey).

The fund eliminated its common stock holdings of American Tobacco, Atlantic City Electric, Central Illinois Light, Corn Products Refining, Eastman Kodak, Flintkote, Johns-Manville, R. J. Reynolds Tobacco "B," Texas Co. and Wisconsin Electric Power.

Common stock holding of U. S. Steel was increased and that of National Lead was reduced.

PERSONAL PROGRESS

FRANK ELIOT SWEETSER as Vice-President of the Dreyfus Corporation, in charge of sales and dealer relations for the Dreyfus Fund.

He was formerly Vice-President and Director of the Value Line Investors Counsel, Inc., and associated with management and sales promotion for the Value Line Funds.

New Distributors Say They Will Help Dealers To Build Sales Staffs

The formation of Mutual Fund Distributors, Inc., with Charles P. Davis as President, to serve as principal underwriters of Managed Funds, Inc., was announced in St. Louis by Hilton H. Slayton, President of Managed Funds.

Recognizing the great need for new people in the mutual fund field and for more effective methods of training them, the executives of the new company will place special emphasis on helping dealers to develop larger and more productive sales staffs.

Mr. Davis served as a Vice-President of Slayton & Co., before his election to the Presidency of the new wholesaling organization. With the Slayton organization he had been directing the West Coast wholesaling activities of Managed Funds since 1950. Previous to that date he had had many years of executive experience in finance and industry.

"Through Mutual Fund Distributors, Inc., we plan to make these tested and proven methods available to our dealer clients throughout the nation," Mr. Davis said yesterday.

"In effect," he went on, "the new firm will be able to offer cooperating dealers the benefits of the know-how acquired by Slayton & Co. during its many years of retail experience.

"We're convinced that a sound and imaginative sales program, executed by trained and resourceful sales staffs is the key to dealer progress and a solid foundation for the continued growth of mutual funds as an investment medium."

Mutual Fund Distributors, Inc., maintains offices at 408 Olive Street in St. Louis.

"FROM $100,000 to $18.3 million in one year and 10 months is the growth of the Value Line Income Fund," Gavin H. Watson, President of Value Line Fund Distributors, Inc., reported this week.

"Highlighting this record," continued Mr. Watson, "are monthly sales highs experienced by the Fund in June and July. In the second quarter of this year, the Fund's assets rose more than 50%. Since the beginning of this year, sales have increased assets by more than 310%.

Continued from page 7

The Outlook for Smaller Business

he can afford expensive laboratories and high-priced technicians in his plant and on his payrolls.

What is the next best thing?

He can find a laboratory which will help him out on a piecework basis, to solve some specific problem in technology.

"We don't know where to turn for that sort of thing," the owner of a small plant may say.

Well, he can try the Small Business Administration.

If someone asked me a question about how he could get research facilities at a reasonable rate, on a piecework basis, I would be able to turn to a very valuable book which we keep in our Washington office and in all the regional offices. It is titled "Industrial Research Laboratories of the United States," and it contains the names of all laboratories, by states, which do outside work for a fee.

These include private laboratories, college laboratories and government laboratories.

In the back of the book is an index with a vast range of products. This index will refer a businessman to the laboratory or laboratories which have specialized in that particular product.

If you want a specific answer to a specific management or technical question of this sort, you can ask us at the Small Business Administration to help you find the answer. We don't have experts always on tap who can answer it for you, offhand. But they have means of referring the question—and usually no fee is involved—to various sources who probably can produce the answer. Of course, a really complicated survey of the whole field is not classed as answering a specific question.

The Small Business Administration and its predecessor agencies have been doing this sort of thing for some time—and I may say, statistically, that we have helped our applicants in 78% of the cases referred.

I am astonished at the great waste of government facilities. You would be astonished, too, if you looked over the list of books and pamphlets on almost everything under the sun, the vast array of information which is available in our agency as well as other government agencies—Commerce, Labor, Interior—but so rarely fully used by the American businessman.

So, may I impress it upon you that huge untapped sources of non-confidential technological information are available from your government. It is yours to command. But we cannot force it upon you. You must first *ask* for it.

Take the matter of patents. About 19,000 patents are wholly or partly owned by the government. These are freely available with only a nominal charge, at the most, for their use. Lists of the more usable patents may be had, either through us or through the Government Patent Office, Department of Commerce. If I were looking for a new product to manufacture I would certainly want to comb through this list.

Not long ago, a small midwestern manufacturer was casting about for a new product to take the place of a defense item which had been cancelled. He went through this list of Government-owned patents and came upon Sonar—a device which the Navy had developed by the expenditure of millions of dollars. It was an electronic anti-submarine device for detecting a mass below the surface of the water but the Navy no longer used this early patented type—they had something better. This type of Sonar, then, was open for anybody to manufacture, through license under this patent developed at Government expense.

This manufacturer designed a fairly cheap model to put on commercial fishing boats. Now boats equipped with these are sighting schools of fish under the surface, following them and rounding them up with their nets, when other boats are unable to find the schools of fish.

This alert small manufacturer is also netting some very nice profits for his application of a Navy device to commercial fishing. Many other such opportunities are open.

The "fisherman" in business who knows where to go and what bait to use has a great advantage over the man who just drops a hook and line overboard, by guess and by gosh. It takes specialized knowledge. Sometimes it is a very expensive matter to develop this knowledge and to buy the right kind of bait.

The basic elements of business have not changed in a thousand years, but the individual business which fails to improve its techniques, its product, its packaging, its selling, is likely to find itself hopelessly outclassed by its more alert competitors.

This is not the same country it used it be. It is not the same economy as in 1939 or before 1948, for that matter. And the economy in 1956 will not be what it is today. New markets are opening up on every side as changes take place.

Businessmen must learn to update and improve the techniques of selling, just as they update and improve their products. Once more, the top salesman is coming into his own. For awhile, a novice with energy was about as effective an order-taker as a real salesman. Now we are getting into a highly competitive period in which selling is of paramount importance. There can be no sitting back and expecting the product to speak for itself and to sell itself.

The market is there but it has to be captured. It won't come running after the seller.

We are getting back to a period where salesmanship, proper pricing policies and the fundamentals of genuine competition are crucial. These are essential parts of any free marketing system—any capitalistic system, if you pleace.

Sure, we have a buyers' market in a majority of lines. What's so wrong with that? A free market cannot *always* be a seller's market.

In a buyers' market such as this one, you have a great advantage over almost any other buyers' market in our economic history. Right now, in this country, bank accounts are full and running over. If a salesman interests a prospect in his product he should seldom meet with the discouraging words of times past when the prospect could say: "I like your product. I need it, I want it, but I just don't have the money."

The top salesman, now, — once he gets that fountain-pen unlimbered—has assurance that the check will be good, and that the prospect is not just practicing penmanship on the order blank.

There is nothing fundamentally wrong with our economy. Times are not even out of joint. We ought to examine ourselves and compare this age with other times when the situation was truly difficult. There is nothing—absolutely nothing—wrong with the present economic picture that hard selling will not cure. Good, hard, old-fashioned salesmanship will do more for the businessman of today than all the government supports, government lending, government hand-outs and government spoon-feeding could possibly do.

Coming from a government official, this may sound like an admission against interest. It is *not* an admission against interest—because the true interest of the country is wrapped up in the effort of the individual and of the individual firm, to survive under terms of a free economy.

The market, the money, the needs, are there. A certain amount of help and guidance can be provided from outside sources. But, after that, Mr. Businessman, it is up to you—as it always has been in the past and will be in the future, as long as the free enterprise system survives.

I know you *can* and *will* meet the challenge.

U. S. Steel Debentures Offered Publicly

Marking one of the largest corporate financing transactions on record and the first public financing for United States Steel Corp. since 1940, offering of $300,000,000 of the steel corporation's serial debentures is being made today (July 29.) Morgan Stanley & Co. and 244 associated investment firms are underwriting the distribution of $225,000,000 of the debentures, the corporation having retained the other $75,000,000 ($7,500,000 of each maturity) for sale to United States Steel and Carnegie Pension Fund at the same price paid by the underwriters.

The publicly offered debentures which are due $22,500,000 each Aug. 1, 1955 to 1964 inclusive, are priced at 100% plus accrued interest for all maturities and are scaled to yield, as to the respective maturities, from 1.30% to 2.65% as shown in the following tabulation:

1955	1.30%	1960	2.50%
1956	1.80	1961	2.55
1957	2.05	1962	2.60
1958	2.25	1963	2.65
1959	2.40	1964	2.65

The proceeds from the sale of the debentures will be added to the general funds of the corporation to restore in part working capital expended in recent years in its expansion and modernization program and will be used for corporate purposes including future expenditures for property additions and replacements.

During the five years 1949-1953 the corporation, as a part of this major program, made capital expenditures totaling over $1,500,000,000. The most important project was the construction of the new integrated Fairless Works, near Morrisville, Pa., which was substantially completed by the end of 1953, with all producing units in operation, and the development of iron ore properties in Venezuela with measured deposits of high grade iron ore of approximately 400,000,000 gross tons. At March 31, 1954 the estimated amount required to complete authorized replacements and additions was approximately $291,000,000.

For the calendar year 1953 the corporation reported products and services sold totaling $3,861,000,000. For the first six months of 1954 this figure was $1,670,800,000. Reported 1953 income before interest and Federal taxes on income was $547,200,000 and for the first six months of 1954 was $188,800,000.

The corporation on June 30, 1954 had outstanding 3,602,811 shares of 7% cumulative preferred stock, 26,121,556 shares of common stock and no significant amount of long term debt. The long term debt of railroad subsidiaries amounted to $64,872,768.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Insurance stocks continue to be among the best acting groups in the general equity market at the present time.

The advance for the group so far this year has been quite steady month by month. Individual shares of various companies have been in particular favor at different times although the whole list has moved forward. The gains made by some stocks are really quite substantial considering the stable character which most of the shares are reputed to enjoy. In comparison with most stock groups the action of insurance shares is indeed favorable.

One standard of comparison is the Dow-Jones Industrial Average and the index of insurance stock prices as compiled by "Barrons'." At the beginning of 1954 the Dow-Jones Industrial Average stood at 280.43. The Average has risen almost steadily to the present level of 344, a gain of about 64 points or almost 23%.

During the same interval "Barrons'" insurance stock average has moved up from 198 at the beginning of 1954 to its high of last week of 262.98. This was a gain of almost 65 points or about 33%. With the exception of two or three industrial groups, there are not many groups of securities than can show so favorable a market action in the current period.

Of course, there are individual industrial stocks which show larger percentage gains just as some of the insurance shares have done considerably better than the average. However, the rise in insurance stocks has been more general than the stock market as a whole. In contrast to the declines which some industrial stocks have sustained since the start of the year, practically all of the major insurance stocks have made at least modest gains.

The price action of 24 of the major fire and casualty insurance companies so far this year is shown in the following table. In addition to the current price, the quotation at the end of 1953, the point change for the period and price range for 1954 are presented. Where stock dividends have been distributed as in the case of Employers Group, Hartford Fire and U. S. Fidelity & Guaranty, prices have been adjusted so that figures are on a comparable basis.

	—Bid Price— July 28 1954	Dec. 31 1953	Points Change	1954 Price Range
Aetna Fire	71½	56¼	+15¼	72½- 56¼
Agricultural Insurance	34	29½	+ 4½	34½- 30
American Insurance	30⅞	26	+ 4⅞	30⅞- 25⅝
American Surety	65¾	60	+ 5¾	67 - 57½
Boston Insurance	39½	33	+ 6½	39½- 33¼
Continental Casualty	150½	96	+54½	150½- 96¼
Continental Insurance	96½	75½	+21	97½- 72
Employers Group	59½	46⅜	+13⅛	60¾- 42¾
Fidelity-Phenix	99	77½	+21½	99½- 76
Firemen's (Newark)	35	28	+ 7	35¼- 27⅛
Glen Falls Insurance	72¼	62¼	+10	72¼- 62¼
Great American	39¼	32¾	+ 6½	39½- 32¼
Hanover Fire	45¼	38¾	+ 6½	45¼- 36¾
Hartford Fire	173½	139¼	+34¼	174 -139
Home Insurance	47	39	+ 8	47¾- 38¾
Insur. Co. of No. Amer.	98¾	82¼	+16½	98¾- 83
New Hampshire Fire	47	44	+ 3	47 - 41
Phoenix Insurance	121½	101	+20½	121½- 97
St. Paul Fire & Marine	44½	36½	+ 8	45 - 35¾
Security Insurance	47½	35	+12½	47½- 35¼
Springfield F. & M.	56	49¼	+ 6¾	56 - 46½
U. S. Fidel. & Guar.	73½	61	+12½	73½- 64½
U. S. Fire	48½	38¼	+10¼	49 - 37¾
Westchester Fire	28½	25¼	+ 3¼	28¾- 25

The outstanding gain for the group has been in Continental Casualty with a rise of 54½ points or close to 57%. Other substantial gains have been made in Aetna Fire, Employers Group, Continental Insurance, Fidelity-Phenix, Hartford Fire, Insurance Company of North America, Phoenix Insurance, Security Insurance, U. S. Fidelity & Guaranty, and U. S. Fire. In other instances the point gain may not have been quite so large but the percentage gain was greater.

It is interesting to note that most of the shares are now selling near the high of their range for the year.

For the balance of 1954, we would anticipate that insurance stocks will continue to enjoy relatively favorable market action. Underwriting operations are expected to be maintained near the satisfactory level of last year. Investment earnings for most institutions are still in an upward trend so that overall results for the year should at least be equal to those of 1953.

Considering the foregoing, quite a few companies should enlarge their distributions to stockholders either in the form of increased cash payments, stock dividends or stock splits.

As in the past we would not expect all shares to follow the same pattern although the general movement should be upward.

Gold Hoarding Seen Diminishing

Bank for International Settlements reports postwar hoarding propensity weakened, partly because of fall in free market price of gold to level of official price, and partly because of strengthened confidence in national currencies.

In its review of gold movements during 1953, the 24th Annual Report of the Bank for International Settlements takes note of the decline in the gold hoarding propensity, which has prevailed throughout the postwar period. Concerning this development, the Report states:

"For a number of reasons, gold may go elsewhere than into monetary reserves. In the first place, there are the requirements of the arts and of industry, including the goldsmith's craft. Secondly, in countries in the east it has been the tradition for centuries to preserve part of one's assets in gold, e.g. in the form of rings specially fashioned for the purpose. Thirdly, in some of the countries of the Middle East, whose income from oil has much increased in recent years, gold is being minted again for use as a means of payment. Fortunately, private individuals and firms in European countries have acquired gold because they have had more faith in it than in their national currencies or simply because they have wished to spread the risk by distributing their assets. It would, of course, be incorrect to lump all those uses of gold together and to term them all 'hoarding of gold;' from a statistical point of view, however, all the gold that does not flow into monetary reserves may be called 'disappeared gold,' since its destination cannot easily be determined. This is what is meant by 'disappeared gold' in the accompanying table.

"A great change in the flow of gold occurred after mid-1953. While in the first half of that year gold was still going into hoards at a very high rate, this was no longer the case in the second half-year. It should, however, be stated at once that the figures for the second half give a somewhat exaggerated impression of the extent of the decline in gold hoarding; towards the end of the year there were quite substantial sales of Russian gold, a sizable porportion of which went into monetary reserves. But, even so, the decline in the amount of 'disappeared gold' was considerable.

"Looking back over the postwar period, one finds that during the five years from the beginning of 1946 to the end of 1950 (at which latter date the Korean conflict had not yet given rise to any real anxiety concerning currency values) the gold which flowed into monetary reserves was equal to $2,050 million, while the value of the 'disappeared gold' amounted to $1,985 million. There was thus a 'fifty-fifty' division during these years. During the following period, stretching from the beginning of 1951 to the end of June 1953, the increase in monetary reserves came to $570 million, while the total of 'disappeared gold' reached a figure of $1,560 million—a proportion of one to three. The abruptness of the subsequent change is brought out by the fact that, after taking account of the impact of the recent Soviet gold sales, the proportion during the second half of 1953 was about three to two, so that from the point of view of the growth of monetary reserves this was the best period since the end of the war.

"As to the reasons for this weakening of the propensity to hoard (which went together with a fall in the free-market price of gold down to the level of the official price) the main influence has, of course, been a strengthening of confidence in national currencies. In this connection, two factors are worthy of special note. One is the signing of the armistice in Korea, which took place on 27th July 1953. The other is the remarkable overall stability of prices which had been observable since the latter part of 1952 and which had naturally made a great impression on the public, for instance in France, where perhaps the main reason for the widespread gold hoarding has been the desire to hedge against rises in commodity prices.

"It was in the middle of November 1953 that the virtual cessation of net hoarding, together with the first indications that the Russians were selling gold, brought the free-market price down to $35 per ounce. . . . the market price of gold has been falling since 1951 notwithstanding the high proportion of gold still going into hoards in 1952 and the first six months of 1953; what then brought down the price was the fact that the gold producers were once more allowed to sell in the free markets, which were thus assured of a regular supply. Seen in retrospect, there can be no doubt about the calming effects in the monetary field generally of the decline in the free-market price of gold.

"The French public has specialized in the hoarding of coins; the decisive change which occurred in the second half of 1953 may be seen from the prices paid for gold coins on the Paris market.

"The premium paid for the 'napoleon' in relation to the price of the gold ingot had been compressed to 13% in the spring of 1954, after having been as high as 32% a year earlier.

"The reopening of the gold market in London on 22nd March 1954 did not mean the immediate restoration of the same freedom in all transactions as had existed before September 1939, but it must undoubtedly be regarded as a step in the direction of convertibility. There are no restrictions as regards sales of gold, but purchases are limited to three classes of buyers:

"(i) holders of American and Canadian Account sterling;

"(ii) holders of 'registered account' sterling, a new type of sterling which can be acquired only by non-dollar, non-sterling-area residents in exchange for gold or dollars; and

"(iii) sterling-area residents authorized to buy limited quantities of gold for trading and industrial uses.

"The market operates under the general supervision of the Bank of England, all transactions being conducted in sterling. Forward transactions are not yet permitted.

"Six authorized gold dealers meet daily to determine the price for gold on the basis of the offers and bids received. The initial price of 248s. 6d. per fine ounce quoted on 22nd March 1954 may be compared with the nominal 'mint' parity of 250s, which corresponds to the U. S. official price of $35 per fine ounce converted at the sterling-dollar parity of £1 = $2.80. If account is taken of the sterling-dollar market rate at that date (approximately £1 = $2.81½) and of the various costs involved in shipping gold for sale in New York, the opening London price will be seen to have been comparatively favorable to sellers. The fixed U. S. official price has the effect of setting a 'floor'—estimated, at the official sterling-dollar parity, to be about 1s. 8d. under the mint parity—below which the London price cannot fall. There is no such definite limit to movements in the upward direction, and the possible maximum rise in the price may, therefore, depend at times upon the willingness of the monetary authorities in London to sell gold through the market.

"It is still too early to express any very firm opinion about the volume and sources of trade in gold on the reopened market, but it seems that the gold sold there has emanated not only from producers but from various other sellers as well. It is of particular interest to note, however, that immediately after the reopening of the London market, the South African Government announced that domestic gold producers would thereafter be required to sell the whole of their output to the South African Reserve Bank, which would then dispose of it principally through the London market.

"The general tendency during the year under review has been to remove to an ever greater extent the restrictions on gold transactions. Thus the South African Treasury announced in October 1953 that dollar sales of gold for approved industrial uses could henceforth be made in the form of fine bars, without further processing and without any stipulations as to the manner of their subsequent utilization. Canada followed suit in December with a similiar ruling in favor of its producers. The other gold-producing countries of the Commonwealth had already introduced relaxations on the same lines in the course of 1952.

"It should also be mentioned that the Hong Kong gold market was partially reopened in October 1953, when the British Government granted permission to dealers to engage in transit operations and also to import gold for re-export to approved destinations. In August 1953 the fee levied on the import of gold into Macao was reduced, the reported explanation for this step being that it was an attempt to win back gold trade lost to the recently opened market in Bangkok, which was establishing itself as a new centre. Towards the end of July, Colombia, the foremost gold-producing country of Latin America, had introduced full freedom for gold trading, and in February 1954 the Syrian Ministry for Economic Affairs announced that gold could henceforth be freely imported and exported without a licence.

"Although the markets in Bombay and Alexandria are still officially closed, it has not been possible to put a stop to all unofficial trading. Tangier, formerly of major importance as a transit centre, has seen the volume of its business decline as the restrictions on gold dealings have been progressively lifted in most other places.

"During the eight years 1946 to 1953 world gold production (excluding that of the U.S.S.R. and associated countries) was of the order of $6,600 million, and of this amount $2,300 million, or about one-third, is estimated to have gone into private hoards (as distinct from having been used for industrial purposes).

"But now that the post-war inflation has been arrested and the disturbances due to the Korean conflict have been overcome, the hoarding of gold has declined to a minimum and it even seems as if in the early months of 1954 a certain amount of dishoarding took place. It would thus appear that if the various countries succeed in consolidating the monetary improvement which is now well on the way the public's desire to hoard gold will probably not be strong enough in the coming year to give rise to any serious difficulties, except in the event of a major political crisis.

Estimates of "Disappeared Gold"

(In millions of U. S. dollars)

*Items	1946	1947	1948	1949	1950	1951	1952	1953	—1953— 1st Half-Year	—1953— 2nd Half-Year
Gold production	755	770	805	840	865	840	865	860	425	435
Increase in official gold reserves	350	430	380	480	410	150	310	†430	110	†320
"Disappeared gold"	405	340	425	360	455	690	555	(430)	315	(115)
Accounted for by industrial uses	280	120	170	200	180	140	180	180	90	90
‡Private hoarding	125	220	255	160	275	550	375	(250)	225	(25)

*The figures for gold production and for changes in official gold reserves exclude the U. S. S. R. and associated areas.

†Includes possibly as much as $50 to $75 million added to official reserves as a result of sales of gold by the U. S. S. R. in the second half of 1953.

‡Residual item.

Sidney B. Patterson Forms Own Investment Firm

FT. WAYNE, Ind.—Sidney B. Patterson has formed Patterson Securities & Investment Co., Inc., with offices in the Lincoln Bank Tower. Mr. Patterson was formerly an officer of Foelber-Patterson, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury reported that the offering of $3,500,000,000 of tax anticipation certificates were oversubscribed by at least three to one. Subscriptions in excess of $50,000 were allotted only [illegible] of the amount requested. Last June the Treasury offered $5,500,000,000 of tax anticipation certificates with a 2½% rate as compared with the current rate of 1%. This latest offering of tax anticipation certificates brings the national debt to within $1,000,000,000 [illegible] of the statutory limit.

The Government market is waiting for the refunding announcement which will have to come along soon if the Treasury is going to follow its indicated time table of making the [illegible] to the offering public near the month-end. However, it [illegible] though a great deal of the initial surprise of the [illegible] has already been absorbed by the Government market, [illegible] ever is offered by the Treasury appears to have been [illegible] discounted.

The tone of the whole list is good and the [illegible] issues is substantial. There are also sellers around, so [illegible] way market with good volume and activity is [illegible] financial community.

Market Uncertainty Prevails

The announcement by the Treasury that the [illegible] tember maturities of certificates would be taken care of [illegible] a certificate, a long note, or a short bond, threw a [illegible] into the Government bond market. The outstanding [illegible] were considered by money market operators to be in the [illegible] able areas, for either a long note or a short bond, were [illegible] down. This was to a certain extent a protective [illegible] traders and dealers are not inclined to stand by [illegible] be hit unless they have a pretty good idea that it will [illegible] a favorable operation for them within a rather limited period of time.

The 1959, 1960 and 1961 maturities were the ones that were hit hardest at the start, in the quoting down process. However, there was a rather impressive recovery in certain of these issues, and this was brought about by what was termed real good investment buying. According to some money market specialists, it does not make too much difference now what the Treasury offers in the package deal, whether it will be a long note or a short bond, or a combination of both, because in their opinion the Government market is pretty well prepared for the impending refunding operation.

Refunding Preferences

It is believed that the one-year obligation will get considerable support from the commercial banks and those investors which must stay on the short liquid side of the situation. On the other hand, the out-of-town commercial banks, which are much more savings banks than commercial banks, will be more interested in either the long note or a short bond, provided, of course, the Treasury does not try to get the last drop of blood out of the turnip by shaving the rate too close.

If the Treasury is still interested in pushing out maturities, and there is considerable evidence to that effect, it seems as though the banks and institutional investors which can take on middle-term maturities are the ones to be appealed to in the refunding operation. Accordingly, it is the opinion of certain money market followers that the yield on the optional refunding issues should be attractive enough to get those holders of the August and September certificates that are in a position to do so to switch some if not all of their maturities into the issues that result in the debt being lengthened.

Federal Applying Pressure

Even though the money market continues on the easy side and the final decreases in reserve requirements will be made in the next few days, which adds to the investible funds, it is evident that the powers that be do not want things to get out of hand and bring about run away conditions in the Government market. The sales of Treasury bills by Federal in the last few weeks has tended to take some of the overflow out of the money markets. On the other hand, however, there will be ample funds around, so that the needs of the Treasury for either new money or refunding purposes will be well attended to.

The New York City reporting member banks since the start of the year have done considerable about the lengthening of maturities, and it is believed in some quarters that they will take advantage of the current refunding to add to their holdings of issues due in more than one year.

State funds, according to reports, have been giving the out-of-town commercial banks very keen competition in the acquisition of the longer-term Treasury obligations. Sellers of these issues, it is said, have at times been able to get very favorable prices for the bonds because of the demand from the aforementioned sources.

Continued from first page

Outlook for the Air-Conditioning Industry

it in one package.

Central Station Equipment for large commercial and industrial structures.

The Room Cooler Market

The room cooler market has had the most spectacular growth. Sales increased from 75,000 units in 1948 to about 1 million units in 1953. In the first five months of this year, manufacturers' shipments almost equaled those for the 12 months of 1953. The result has been excess distributor inventory, price cutting and all the troubles that accompany overproduction.

We feel that a large part of the market for room coolers will be taken over, in time, by residential units, such as Worthington introduced this year. Central residential systems do for a house what five or six room coolers cannot do. They cost less, provide central automatic control, are much less noisy and afford better air distribution.

The market for year 'round units is in its infancy but coming fast. The best industry estimates are that 10,000 were sold in 1952, from 50,000 to 60,000 in 1953, and that 1954 will see 120,000 units sold.

The housing boom accounts for much of this growth—new housing starts have been at the rate of 1 million units a year for the past seven years. In addition, nearly 6 million existing homes are equipped with forced warm air circulating systems which can readily be converted to year 'round air conditioning, and another 7½ million homes are heated by gravity air systems which require only moderate alteration of ductwork to be converted to air conditioning.

A very interesting study of the mechanical, financial and human factors involved in home weather control is being conducted at Austin, Texas, where a "research village" of 22 homes has been built, each with a different type of year 'round residential system. Each dwelling is occupied by a selected family which bought its home for about $12,000, plus land costs, and agreed to cooperate in the research studies for one year. The experiment is sponsored by the Research Institute of the National Association of Home Builders, in cooperation with the Air Conditioning and Refrigeration Institute, the University of Texas, and some 50 other organizations and companies, including Worthington.

The study will try to answer such questions as the economic practicability of air conditioning in homes costing as low as $12,000; comparative costs in frame, masonry and combined brick and frame dwellings; behavior of children in a comfortable environment; incidence of colds and allergies, and effect on housewives. We look forward to the results of this study because we think they are going to demonstrate not only the practicality of air conditioning in homes of all sizes but the great benefits that it brings to family life, particularly to the comfort, well-being—and disposition—of the housewife.

Commercials Package Units

We are very optimistic about the outlook for commercial packaged units such as we are currently building here in Decatur, Alabama. We expect sales of this equipment to double during the next five-year period, and to double again in the succeeding five years, levelling out at approximately one-half billion dollars per year by 1964.

Central Station Equipment

The market for central station equipment for large commercial and industrial buildings is difficult to estimate because of the complexity of the installations and the many components and services involved. But we are a long way from saturation in those markets. Take, for example, the great potential in office space alone. Real estate experts tell us that when 15% of the desirable rentable space of over 12 million conditioned, it becomes a competitive necessity for all other buildings in the city. In New York, for instance, 51 new air conditioned buildings with rentable space of over 12 million square feet have been built since 1947. There are 343 reasonably modern non-air conditioned structures containing more than 67 million square feet of space in the area, and the pressure is certainly on the owners to air condition in order to retain tenants and rate structures.

Central station equipment is a field in which Worthington is preeminent. We look forward to a large increase in our sales of heavy apparatus for this market.

While we are optimistic about the future of air conditioning, let me repeat a warning which Mr. Ramsey, President of Worthington, made when he spoke in Decatur, Ala., last November.

He said it would be quite wrong to suppose that all anyone needs to do is to rush in and scoop up the dollars with his hat. The companies which come out on top in the air conditioning race will be those with the best engineering skill, manufacturing know-how and sales ingenuity.

Competition is keen, and in the short space of two years the picture has changed considerably. The spring and summer of 1952 were excessively hot in most parts of the country. The public demand for air conditioning exceeded the ability of the industry to supply it. This demand continued into 1953, and the boom was aided by widespread publicity both within and without the industry. During 1953 virtually every national magazine carried feature articles on the industry and predictions for its future growth, some verging on the fantastic.

As a result many companies, large and small, have rushed into the field. Whereas there were about 50 companies marketing room air-conditioners under their own brand names a year ago, today there are 125. Some of these names are well known to the public. Others are newcomers.

If we judge by the history of the automobile and electric refrigerator industries, it is not difficult to foresee what will happen in air conditioning in the years immediately ahead.

Overproduction and Price Cutting Expected

With many new producers competing for the markets in room coolers and small commercial and residential units, there will be over production and price cutting that will eliminate many of the weaker companies.

Several factors are contributing to bring about this shakeout.

First, there was a general downturn in business during the first six months of 1954. This downturn now appears to have run its course, and business activity is turning upward again. However, the experience left its mark in some quarters.

Second, we have had an abnormally cool spring and early summer this year in most parts of the country which has retarded impulse buying of air conditioning equipment. The effects have been felt principally in the field of room air conditioners and other small equipment.

Third, we have had overproduction of room air conditioners and packaged air conditioners.

The result of these factors is an excess of manufacturers' and distributors' inventory of these two types of equipment, leading to price cuts in one form or another.

The opportunists who have come into the industry are not only at the manufacturing level. They exist at the distributor and dealer levels as well — attracted by the prospect of a fast buck and subject to the same mortality factors as the opportunists who have entered the manufacturing side of the business.

As far as Worthington is concerned, I need only say that these developments were fully anticipated and we took account of them in our plans — we would have liked better weather, but we knew better than to count on it. Our air conditioning and refrigeration business during the first six months of 1954 is 30% ahead of the same period of 1953. We expect to have our ups and downs and our periods of adjustment to the ever-changing conditions in our industry. The future looks good to us, and we expect our plant in Decatur to play an important part in our long range expansion program in air conditioning and refrigeration.

Making America a Better Place To Live In

So far I have been talking about air conditioning in business terms, from the manufacturer's viewpoint. Now I want to add a few words about the ways air conditioning makes America a better place to live in. I don't mean simply that it makes your home, office, theatre or factory more comfortable. It has some other virtues which may be of interest.

Because of man's machines for controlling indoor weather, your butcher's scales are more accurate, your chocolate-coated candies and wafers are more appealing and your television set works better. Many of the parts of television receivers are assembled under carefully controlled humidity conditions. Candies get their smooth coating when dipped in chocolate under controlled temperatures. Worthington has been supplying equipment for controlling the air in chocolate "enrobing tunnels" for more than 50 years.

The weights used to make your butcher's scale accurate are checked against your State's standard weights, which in turn have been checked at the National Bureau of Standards.

This checking is done in an air conditioned basement room in Washington. Both the standard weights and the weights to be checked are placed in the room for 24 to 48 hours in advance. At the end of that time, they reach a "thermal equilibrium" which assures proper comparison. The checking operation is so accurate that the man running the test must stand 10 feet away from the weights. He manipulates them with a mechanical hand attached to the traditional 10-foot pole. His body heat must not interfere with the check tests. Many industrial gauges and other manufacturing devices are also checked in air conditioned rooms.

Man has tried to control indoor weather since the ancients hung wet towels over their windows. The early Egyptians used ice and slave-operated fans to alleviate the intense heat of the Nile Delta, and it is a matter of record that Leonardo da Vinci designed an air-cooling device in the 16th Century.

Air Conditioning in Its Commercial Application

One of the first commercial applications of air conditioning was to control the atmospheric conditions in a printing plant in Brooklyn. Since then its applications to industry may be classified in four broad categories:

First, air conditioning is essential in those industries which process hygroscopic material, that is, material which either absorbs water vapor or releases it. Such industries include munitions, candy and confections, cereals and food products, leather, paper, pharmaceuticals, plastics, printing, textiles and tobacco.

Second, air conditioning is a virtual necessity in controlling the rate of chemical and biochemical reactions, as for example, in the manufacture of rayon and the curing of macaroni. Air conditioning also makes possible the production of antibiotics, through the control of the rate of growth and the character of bacteria, molds, enzymes and other microorganisms.

Third, the manufacture of precision products involving temperature control is heavily dependent on air conditioning equipment. Examples in this category are optical goods, cameras, aircraft components, automatic telephone exchanges, precision gauges and instruments, to name but a few.

Finally, carefully conditioned atmosphere is necessary in industries where the rate of cooling of a saturated solution determines the size of crystals formed—for example, in the cooling or tumbling pans for pills, chewing gum and other coated products.

The use of air conditioning in manufacturing processes and in laboratories led to the discovery that cool, clean, dry air is good for people as well as for products. It increases worker efficiency, reduces absenteeism and labor turnover, and cuts down waste and accidents due to fatigue. So we have a big market for air conditioning industrial plants primarily for the benefit of workers themselves. Our own plant here in Decatur is an example.

One expert has pointed out that the average man takes in 7½ pounds of food each day and he insists that it be clean, even sterilized. But he takes in 35 pounds of air—raw, uncleaned, dust-laden—by breathing some 22,000 times a day. The filtering process alone is one of the big obvious virtues of air conditioning.

An enthusiastic testimonial on the worth of air conditioning office space was offered recently by the County Engineer in Houston, Texas. Since his quarters have been moved to the new, completely air conditioned $8 million courthouse, his staff can turn out a third more work. "The draftsmen no longer have to put handkerchiefs and rags under and around their forearms to keep perspiration from smearing their drawings," says the County Engineer. "Since we've been in air conditioned quarters, we are turning out 30% more work per man. . . . And besides people working in air conditioned quarters are not sapped of energy when they leave the office after a day's work. That makes them a lot happier."

Summary

To summarize:

Growth of the air conditioning industry has been one of the economic wonders of the 20th Century. The air conditioning requirements for manufacturing and for the cooling of factories, offices, stores, theatres, restaurants, homes and other buildings assure a vast market for many years to come. But hard work, sound research, good organization, skillful manufacturing, wise marketing and painstaking experience will be needed for success.

We at Worthington look to the future with confidence. We have a long range program of expansion. Our Decatur plant is an important part of that program. As a further step, we have recently acquired the name, assets and goodwill of the L. J. Mueller Furnace Company of Milwaukee, subject to final approval by the Mueller stockholders at a meeting to be held shortly. Mueller heating equipment and Worthington's cooling components will be combined into packaged year 'round home air conditioning units. This important merger will further strengthen our position in the air conditioning field.

Continued from page 4

The State of Trade and Industry

was 106.9 in June. The index is based on the average output of 1947-49.

The production in the second quarter, totaled 21,804,675 tons and was 4.4% above the average for 1947-49. The first quarter production was 22,324,323 tons or 8.1% above the average for 1947-49.

The output in the first half was 71.5% of the capacity as rated at the start of this year whereas the second quarter production was 70.3% of capacity. The June output was 72.0% of capacity and the annual steelmaking capacity at the start of this year was more than 124.3 million net tons.

Automobile Sales Off

According to the latest bulletin of "Ward's Automotive Reports" new car sales in the first 10 days of July slipped 43% below the high level of business noted in the closing 10 days of June. The downturn put new car deals at the lowest daily rate since mid-February. Nevertheless inventories dipped 1.4% below the June 30 count.

However, the report states, the holiday held the selling season to eight days against nine the prior period. On a daily basis, new car deliveries were 36% below the previous 10 days and 15.2% under the initial 10 days of June, as an average of 16,300 cars a day were retailed.

The dismal performance has dampened somewhat industry hopes of paring stocks below the present level; a plateau that finds cars on hand equaling a 35-day supply on the basis of the July 1-10 sales pace.

Electric Output Is Up for the July 24th Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 24, 1954, was estimated at 8,951,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 152,000,000 kwh. above the preceding week, or an increase of 643,000,000 kwh. over the comparable 1953 week and 1,775,000,000 kwh. over the like

week in 1952. **The largest gains in power output continues to be shown in the West Central, Southeast and South Central Regions**

Car Loadings Drop for July 17 Week

Loading of revenue freight for the week ended July 17, 1954, totaled 694,545 cars, the Association of American Railroads announced. This was a decrease of 96,869 cars or 12.2% below the corresponding week in 1953, but an increase of 85,545 cars or 14% above the corresponding week in 1952, when loadings were reduced by a strike in the steel industry.

Loading of revenue freight for the week ended July 17 increased 124,983 cars or 21.9% above the preceding holiday week.

Business Failures Dip, but Are Above Year Ago

Commercial and industrial failures dipped to 188 in the week ended July 22 from 226 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties continued above the 184 and 137 which occurred in the similar weeks of 1953 and 1952. Compared with the prewar level, failures were down 45% from the 1939 toll of 251.

Failures involving liabilities of $5,000 or more dipped to 163 from 192 last week, but were more numerous than a year ago when 161 concerns succumbed in this size group. Small casualties, those with liabilities under $5,000, dipped to 25 from 34 yet remained slightly above their total of 23 in 1953. Twenty-three businesses succumbed with liabilities in excess of $100,000 as against 15 a week ago.

Retail trade accounted principally for the week's decline; its casualties dropped to 85 from 114, while mild dips brought manufacturing down to 35 from 39, wholesaling down to 22 from 28, and commercial service down to 17 from 21. The only increase during the week occurred in construction which rose to 29 from 24. More wholesaling, construction and commercial service businesses failed than a year ago, but in other lines casualties were lower than 1953.

Canadian failures remained the same as last week with 24 as compared with 30 a year ago.

Midsummer Brings Reduction in Retail and Wholesale Trade

The total dollar volume of retail trade in the week ended July 21 was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England —8 to —4; Pacific Coast —6 to —2; Midwest —5 to —1; South —4 to 0; Southwest —2 to +2; East and Northwest +1 to +5.

Soaring temperatures slowed retail activity in many parts of the country; most main-floor business was better than that of basement departments. Vacation and recreational spending increased, and consumer credit continued to expand.

In spite of price reductions and heavy selling pressure, apparel merchants reported a decline from the sales of last week. Men's clothing registered improved demand in sports shirts, hats, and slacks, but the volume of suit sales dipped. Summer-into-Fall cotton dresses, beachwear, and separates were among the best sellers in women's clothes. Buying of higher-priced Fall coats and suits increased in some sections of the country.

According to the Federal Reserve Board index, department store sales in New York City for the weekly period ended July 17, 1954, registered an increase of 4% above the like period of last year. In the preceding week, July 10, 1954, a decrease of 15% was reported from that of the similar 1953 week while the four weeks ended July 17 showed an increase of 1%. For the Jan. 1 to July 17 period no change was registered over the similar 1953 period.

In using a year ago comparison for the week ending July 10, allowance should be made for the fact that in observing the Independence Day holiday, store closings occurred in the week ending July 10 this year whereas last year store closings occurred in the previous week.

Total wholesale buying in the week ended July 21 was slightly below that of last week; the dollar volume of trade was much smaller than a year ago in all major lines except food.

The textile markets continued in a between-seasons lull, as many mills, dyehouses, and finishing plants remained closed for vacations this week. Cotton print cloths, broadcloths, and sheetings moved slowly, most often for spot and nearby delivery. Some denim mills reported increasing orders, but a decline was registered in bark cloths and other drapery staples.

Food buying was slightly below that of the prior week but well above a year ago. The demand for red meat declined, although supplies increased; there was active buying of poultry.

Wholesale Food Price Index Unchanged, but Commodity Price Level Continues Mildly Upward

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., for July 20 continued unchanged at the previous level —$7.23. This compared with $6.75 on the corresponding date a year ago, or a rise of 7.1%.

Higher in wholesale price this week were wheat, corn, rye, oats, barley, hams, lard, butter, cocoa, and eggs. Lower in cost were flour, bellies, coffee, tea, steers, hogs, and lambs.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level. Figures for recent dates follow:

The general level of commodity prices continued to edge mildly upward this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., rose to 272.93 on July 20, from 272.87 a week earlier, and compared with 284.13 on the corresponding date a year ago.

Grain markets were generally higher this week with wheat and soybeans scoring impressive gains. A large volume of the new crop movement was reported being placed under Government loan. Steadiness in corn was influenced by record high temperatures over a large part of the corn belt and fears that drought conditions might result in serious crop deterioration. Oats and rye prices advanced along with other grains. Trading in grain and soybean futures on the Chicago Board of Trade was quite active.

Bookings of hard Winter wheat bakery flours were extremely slow this week following the heavy buying movement of last week when bakers and jobbers generally covered their requirements for the next three to four months. Cake and family type flours were likewise quiet despite mill protection against further price advances. Cocoa values moved higher this week following the downward trend in evidence during the preceding period.

Coffee prices moved over a fairly wide range and finished slightly under a week earlier. Roaster demand for coffee in the actual market was slow, reflecting the Summer lull in coffee drinking, coupled with resistance of consumers to paying current prices. Domestic raw sugar displayed a somewhat better tone aided to some extent by the continued hot weather. Some price shading in refined sugar was noted in the West influenced by the prospect of a large sugar beet crop. Prices for steers and hogs trended downward during the week as hot weather curtailed demand for meats. Lambs were down sharply under increased receipts.

The trend in cotton prices was upward this week with most future contracts reaching new high levels for the season. Reported sales in the ten spot markets rose to 47,700 bales, from 23,400 a week earlier, but were under the 87,000 in the like week a year ago. CCC loan repayments on 1953-crop cotton in the week ended July 9 continued at a low level and totalled 21,000 bales, while total loans outstanding as of that date were reported at 5,229,000 bales. Sizable yardages of cotton print cloths were reported sold into the first quarter of 1955.

Metropolitan Life Insurance Co. Asserts Average Length Of Life in U. S. A. Has Increased to Nearly Three Score and Ten

Average length of life in the United States, based on the experience in 1951, has increased to a new high of 68.5 years, which is a gain of about 20 years since the turn of the century, statisticians of the Metropolitan Life Insurance Company report.

The increases have been greatest at the younger ages, and diminish progressively with advance in age. For example, 11 years have been added to the average future lifetime at age five, compared with a gain of nine years at age 20, and of five years at age 40.

Even at age 65 the expectation of life has increased by 2.5 years during the half century. The average man reaching that age can now look forward to 13 additional years of life and the average woman to about 15½ years.

National Summary of Business Conditions

Federal Reserve Board reports steady business conditions in June, with production index little changed from previous two months, but 9% below a year ago.

An interesting and informative review of general business and financial conditions in the United States based on June statistics and also the first July week has been issued by the Governors of The Federal Reserve System. This is the way things look to the Federal Reserve authorities:

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.

Industrial Production

The Board's seasonally adjusted index of industrial production in June and May, according to preliminary data, was 124% of the 1947-49 average. This level was slightly above March and April, but 9% below a year ago.

Output of Durable Manufactures showed no change in June mainly as a further contra-seasonal increase in steel production offset a decrease in auto output. Subsequently steel mill operations were curtailed sharply around the July 4th holiday. In the week ended July 17 steel ingot production increased to 65% of capacity but was below the 72 rate in June, owing largely to seasonal influences. Activity in most metal fabricating industries was generally maintained in June. Output of military equipment produced in these industries, however, showed further curtailment.

Auto Assemblies were reduced in June from the advanced seasonally adjusted rate reached in May and some further curtailment was indicated in early July. Output of major household durable goods expanded further in June reflecting mainly continued strength in television production and an increase in furniture output. Total production of major household goods has recovered nearly one-half of the decrease shown after mid-1953.

Lumber Production was reduced in the latter part of June owing to work stoppages in the Pacific Coast region but output of most other building materials apparently continued in very large volume.

Output of Nondurable Goods also generally continued steady in June at a level 3% above the lows reached earlier this year. Some further small recovery developed in various branches of the chemical and textile industries. Production at paper mills, which reached record levels in May, did not show the usual June seasonal increase, although demand for paper and paperboard was very active.

Construction

New construction expenditures in June, seasonally adjusted, were close to the record May total. Major categories of private and public work changed only slightly. Value of contract awards decreased 10% in June from the exceptionally high May totals. The number of new housing units included in appraisal requests to VA and in applications to FHA increased further in June.

Employment

Increased stability was evident in the labor market in June. Unemployment at 3.3 million showed little change, although there is usually a seasonal increase. While employment in durable goods manufacturing industries declined further, employment was relatively steady in most other non-agricultural establishments at close to peak levels. The average factory workweek increased somewhat further in June but was about an hour below year-ago levels. Hourly earnings were up slightly and were about 2% above last June. The steel wage settlement effective July 1 provided for a rise of 5 cents an hour and various other benefits.

Agriculture

A feed grain harvest in 1954 about one-eighth larger than in 1953 was officially forecast in early July. With carryovers already large, total feed supplies were expected to exceed earlier record levels. Wheat and cotton acreages, under Federal production controls, were indicated to be one-fifth less than in 1953. Total crop acreage and output were forecast to be about equal to last year.

Distribution

Sales of new and used autos showed a striking rise in June, and with increases in apparel and other general merchandise, total retail sales are indicated to have expanded to near the high year-ago level. Department store sales were 5% larger than in May and were apparently maintained in early July, after allowance for the usual seasonal change. The preliminary June index of 113% of the 1947-49 average compares with an average of 108 for the first five months of this year.

Distributor inventory developments in June were featured by a substantial decline in dealers' stocks of autos. At department stores, stocks showed little change in May at a level 5% below the year-ago value.

Commodity Prices

Prices of farm products changed little from mid-June to mid-July following a decline earlier to last autumn's reduced level. Wheat recovered one-half of the earlier seasonal decline as most of the new crop was going under government loan. Hog prices also recovered somewhat as marketings fell off, but the lower grades of cattle declined.

Average prices of industrial materials rose, owing largely to increases of about 3% in finished steel and advances in lumber — especially Western types. Tin, rubber, and some textiles also increased, but steel scrap, petroleum products, and fats and oils declined. Prices of sheets were raised, and increases in carpets were announced, effective Aug. 1. On the other hand, new television models were introduced at lower prices.

Bank Credit and Reserves

Bank loans and investments increased after early June, reflecting mainly additional purchases of U. S. Government securities. Business loans rose sharply in mid-June as concerns borrowed to obtain funds for meeting quarterly income tax payments; subsequently, they declined again.

Member Bank Reserve positions were generally easy during the latter part of June and early July. Excess reserves of member banks exceeded their borrowings at the Federal Reserve by about $800 million. During this period, over $600 million of reserve funds were released to banks through reductions in reserve requirement percentages. Additional reductions to take effect later this month and on Aug. 1 will release an additional $900 million of reserves. Some reserve funds were absorbed in late June and early July by seasonal currency needs, a decline in float, and a reduction in Federal Reserve holdings of U. S. Government securities.

Security Markets

Treasury bill rates advanced slightly, but yields on other government securities declined moderately from mid-June to mid-July. Yields on high-grade municipal bonds declined sharply, while corporate bond yield were steady. Common stock prices rose further following a sharp decline in the second week of June.

Mutual Funds

By ROBERT R. RICH

Is Service the Key?

The Stock Exchange's Monthly Investment Plan—sometimes called the "pay-as-you-go stock plan"—was given a slick going-over this month by "Tide" magazine," comprehensive advertising and marketing trade journal. The essence of the report was that the wheels were turning furiously but the Exchang'es program wasn't getting anywhere, even with a half-million dollars in advertising being placed in 500 newspapers, and with window displays, marketing kits and direct-mail letters being given to Exchange firms to help them along in their own efforts.

"Tide" headlined the report, "Stock plans founder on the rocks of apathy," commented that the response is "pitifully small," and that "the marketing paralysis is largely the result of a mental block to a basic understanding by members about how to handle MIP."

This report on MIP is in sharp contrast, of course, with the record gains made, quarter after quarter, by mutual funds in total net assets, shares outstanding and number of new shareholders.

Why the difference? Why the electric growth in one element of the securities business and "apathetic sales" in the other, particularly when the marketing objective (to use the argot of the up-town agencies) of both the Exchange's plan and of mutual funds is identical—the inclusion of middle-class income-earners within a program of systematic or periodic investing in equities.

By rote, many people, familiar with mutual funds, might, in answer, say that mutual funds offer professional management, continuous supervision and diversification—the trinity well-known by now to everybody in the securities business.

However, is there an additional answer to this puzzle? Is it, perhaps, that mutual funds, during the greatest years of their growth so far have been concentrating on *service* to their investors?

And the next question, logically, is how appealing are these service features to a prospective investor, presuming he has decided to invest in equities in some fashion.

In contrasting the two—do the service features give to mutual funds the essential competitive edge to make their sales click?

Certainly, periodic investing, automatic reinvestment of dividends, four dividend checks a year (or one a month with some funds, if desired, for monthly income), standard—and flexible—trust agreements, reducing term insurance to guarantee an investment goal, pre-calculated taxes on dividends received, and so on, are service features found with many or some mutual funds, and hardly ever anywhere else.

Clearly, mutual fund retailers can sell their prospects two things—the benefits of equity investing *and service*. The Exchange's MIP sells one thing—equity investing on a periodic basis.

* * *

Speaking of the service features offered by mutual funds, the business can rack up one more to its credit this month.

Commonwealth Investment Company, first in the business with a voluntary systematic payment plan, and first among dealer-distributed mutual funds with automatic reinvestment of dividends, is now first with a standard and central loan arrangement in which Commonwealth shareholders can, in an emergency, quickly, easily and quietly pledge their shares of Commonwealth Investment Company or Commonwealth Stock Fund to the Bank of California and receive a check, by return mail, for 65% of the value. Minimum loan is $200 (there is no maximum) and shares may be pledged even though certificates have not been issued. "A person," Commonwealth states, "who owns something that can be used as collateral for a loan takes comfort in this 'bonus value' of what he owns. He likes to know that he has something upon which he could borrow, even though he might never have the occasion to do so."

EATON & HOWARD Balanced Fund's 1954 semi-annual report shows asset value per share of $17.54, up 12% over $15.67 per share at the beginning of the year—both figures adjusted for the 2-for-1 stock split on June 30. Total value of the fund on June 30 was $119,936,648, up from $101,963,256 at the beginning of the year. Shares outstanding total 6,836,188 compared with 6,507,970 and the number of shareholders 21,078 compared with 20,359.

On June 30, 1954, 9.2% of the fund was in cash, U. S. Government and short-term notes, 15.7% was invested in corporate bonds, 13.9% in preferred stocks and 61.2% in common stocks. The largest common stock holdings were in the oil (12.2%), power and light (10.9%), insurance (5.3%), banking (4.8%) and chemical (4.3%) industries.

Changes in investment during the second quarter of 1954, other than U. S. Governments and short-term notes, included the addition of Panhandle Eastern Pipe Line 3⅛s, 1974, Allis Chalmers 4.08% convertible preferred, and the following common stocks: Eli Lilly & Co., class B, Northern Natural Gas Co., Pfizer (Chas.) & Co., Puget Sound Power & Light, Sinclair Oil and United States Steel.

Eliminated were holdings of American Tobacco Co., 3s, 1962 and the following common stocks: American Tobacco, Federated Department Stores, Motorola, Philip Morris, Reynolds (R. J.) Tobacco and United Fruit.

MASSACHUSETTS INVESTORS TRUST reports for the 3 months ended June 30, 1954, a net asset value of $23.06 per share, exclusive of a capital gain payment of 24c per share in February or the equivalent of $23.30 per share as compared with $18.60 at the close of the second quarter of last year.

The trust had total net assets of $639,851,355 on June 30, 1954, with 117,428 shareholders and 27,742,563 shares outstanding.

These figures represent new highs in the trust's history and compare with $483,406,247 in total assets, 107,375 in shareholders and 25,993,533 in shares outstanding at June 30, 1953.

The trustees reported that in the three months to June 30, shares of the trust purchased by investors exceeded redemptions by $7,941,681 compared with $6,632,785 for the second quarter of 1953.

The report also states that $18,793,845 of investment holdings were added to the trust's portfolio in the quarter, compared with sales of securities from the portfolio of $13,158,048, excluding short-term notes.

SELECTED AMERICAN SHARES reports assets at June 30, 1954 rose to $32,109,526 or $15.10 a share, compared with $27,031,462 or $12.88 a share on Dec. 31, 1953 and $25,383,602 or $12.84 a share at June 30, 1953. At mid-year common stocks represented 83.3% of assets; U. S. Governments and cash, 16.7%. The company had investments in securities of 83 companies. The five largest holdings by industry were electric utility 12% of assets, oil 10%, electrical equipment & TV 8.4%, chemical and drug 7.7% and building 7.4%.

TOTAL NET assets of Shareholders' Trust of Boston on June 30, 1954 were $11,100,383, compared wth $9,035,851 on Dec. 31, 1953, according to the report.

Net assets on June 30 were equivalent to $29.58 per share compared with $25.51 a share on Dec. 31, an increase of 16% during the six-month period. The fund had 375,215 shares outstanding on June 30, an increase of 21,051 shares since Dec. 31.

NET ASSET value of Wall Street Investing Corporation on June 30 amounted to $16.07 on each of the 288,202 shares outstanding. This was $2.49 a share higher than the $13.58 reported last June.

Net unrealized appreciation in the value of the company's investment portfolio was $1,250,400 on June 30, 1954.

Common stocks constituted 77.4% of the net asset value; government securities and net cash accounted for 22.6%.

WHITEHALL FUND, Inc. reports that the asset value of its shares increased to a new high of $21.26 per share on June 30, compared with a figure of $18.94 on Dec. 31, 1953. It is an increase of about 17% over the asset value of $18.41 reported for June 30, 1953, taking into account the December 1953 distribution of 28 cents from realized gains.

Net assets increased to $5,324,669 on June 30, 1954, as compared with $4,893,000 on Dec. 31, 1953.

At mid-year, assets continued to be invested roughly 50% in bonds and preferred stocks and 50% in common stocks.

New common stock holdings added to the fund's portfolio during the second quarter were Bethlehem Steel, McGraw Electric, Republic Steel and Standard Oil (New Jersey).

The fund eliminated its common stock holdings of American Tobacco, Atlantic City Electric, Central Illinois Light, Corn Products Refining, Eastman Kodak, Flintkote, Johns-Manville, R. J. Reynolds Tobacco "B," Texas Co. and Wisconsin Electric Power.

Common stock holding of U. S. Steel was increased and that of National Lead was reduced.

PERSONAL PROGRESS

FRANK ELIOT SWEETSER as Vice-President of the Dreyfus Corporation, in charge of sales and dealer relations for the Dreyfus Fund.

He was formerly Vice-President and Director of the Value Line Investors Counsel, Inc., and associated with management and sales promotion for the Value Line Funds.

New Distributors Say They Will Help Dealers To Build Sales Staffs

The formation of Mutual Fund Distributors, Inc., with Charles P. Davis as President, to serve as principal underwriters of Managed Funds, Inc., was announced in St. Louis by Hilton H. Slayton, President of Managed Funds.

Recognizing the great need for new people in the mutual fund field and for more effective methods of training them, the executives of the new company will place special emphasis on helping dealers to develop larger and more productive sales staffs.

Mr. Davis served as a Vice-President of Slayton & Co., before his election to the Presidency of the new wholesaling organization. With the Slayton organization he had been directing the West Coast wholesaling activities of Managed Funds since 1950. Previous to that date he had had many years of executive experience in finance and industry.

"Through Mutual Fund Distributors, Inc., we plan to make these tested and proven methods available to our dealer clients throughout the nation," Mr. Davis said yesterday.

"In effect," he went on, "the new firm will be able to offer cooperating dealers the benefits of the know-how acquired by Slayton & Co. during its many years of retail experience.

"We're convinced that a sound and imaginative sales program, executed by trained and resourceful sales staffs is the key to dealer progress and a solid foundation for the continued growth of mutual funds as an investment medium."

Mutual Fund Distributors, Inc, maintains offices at 408 Olive Street in St. Louis.

"FROM $100,000 to $18.3 million in one year and 10 months is the growth of the Value Line Income Fund," Gavin H. Watson, President of Value Line Fund Distributors, Inc., reported this week.

"Highlighting this record," continued Mr. Watson, "are monthly sales highs experienced by the Fund in June and July. In the second quarter of this year, the Fund's assets rose more than 50%. Since the beginning of this year, sales have increased assets by more than 310%.

Continued from page 7

The Outlook for Smaller Business

he can afford expensive laboratories and high-priced technicians in his plant and on his payrolls.

What is the next best thing?

He can find a laboratory which will help him out on a piecework basis, to solve some specific problem in technology.

"We don't know where to turn for that sort of thing," the owner of a small plant may say.

Well, he can try the Small Business Administration.

If someone asked me a question about how he could get research facilities at a reasonable rate, on a piecework basis, I would be able to turn to a very valuable book which we keep in our Washington office and in all the regional offices. It is titled "Industrial Research Laboratories of the United States," and it contains the names of all laboratories, by states, which do outside work for a fee.

These include private laboratories, college laboratories and government laboratories.

In the back of the book is an index with a vast range of products. This index will refer a businessman to the laboratory or laboratories which have specialized in that particular product.

If you want a specific answer to a specific management or technical question of this sort, you can ask us at the Small Business Administration to help you find the answer. We don't have experts always on tap who can answer it for you, offhand. But they have means of referring the question—and usually no fee is involved—to various sources who probably can produce the answer. Of course, a really complicated survey of the whole field is not classed as answering a specific question.

The Small Business Administration and its predecessor agencies have been doing this sort of thing for some time—and I may say, statistically, that we have helped our applicants in 78% of the cases referred.

I am astonished at the great waste of government facilities. You would be astonished, too, if you looked over the list of books and pamphlets on almost everything under the sun, the vast array of information which is available in our agency as well as other government agencies—Commerce, Labor, Interior—but so rarely fully used by the American businessman.

So, may I impress it upon you that huge untapped sources of non-confidential technological information are available from your government. It is yours to command. But we cannot force it upon you. You must first *ask* for it.

Take the matter of patents. About 19,000 patents are wholly or partly owned by the government. These are freely available with only a nominal charge, at the most, for their use. Lists of the more usable patents may be had, either through us or through the Government Patent Office, Department of Commerce. If I were looking for a new product to manufacture I would certainly want to comb through this list.

Not long ago, a small midwestern manufacturer was casting about for a new product to take the place of a defense item which had been cancelled. He went through this list of Government-owned patents and came upon Sonar—a device which the Navy had developed by the expenditure of millions of dollars. It was an electronic anti-submarine device for detecting a mass below the surface of the water but the Navy no longer used this early patented type—they had something better. This type of Sonar, then, was open for anybody to manufacture, through license under this patent developed at Government expense.

This manufacturer designed a fairly cheap model to put on commercial fishing boats. Now boats equipped with these are sighting schools of fish under the surface, following them and rounding them up with their nets, when other boats are unable to find the schools of fish.

This alert small manufacturer is also netting some very nice profits for his application of a Navy device to commercial fishing. Many other such opportunities are open.

The "fisherman" in business who knows where to go and what bait to use has a great advantage over the man who just drops a hook and line overboard, by guess and by gosh. It takes specialized knowledge. Sometimes it is a very expensive matter to develop this knowledge and to buy the right kind of bait.

The basic elements of business have not changed in a thousand years, but the individual business which fails to improve its techniques, its product, its packaging, its selling, is likely to find itself hopelessly outclassed by its more alert competitors.

This is not the same country it used to be. It is not the same economy as in 1939 or before 1948, for that matter. And the economy in 1956 will not be what it is today. New markets are opening up on every side as changes take place.

Businessmen must learn to update and improve the techniques of selling, just as they update and improve their products. Once more, the top salesman is coming into his own. For awhile, a novice with energy was about as effective an order-taker as a real salesman. Now we are getting into a highly competitive period in which selling is of paramount importance. There can be no sitting back and expecting the product to speak for itself and to sell itself.

The market is there but it has to be captured. It won't come running after the seller.

We are getting back to a period where salesmanship, proper pricing policies and the fundamentals of genuine competition are crucial. These are essential parts of any free-marketing system—any capitalistic system, if you pleace.

Sure, we have a buyers' market in a majority of lines. What's so wrong with that? A free market cannot *always* be a seller's market.

In a buyers' market such as this one, you have a great advantage over almost any other buyers' market in our economic history. Right now, in this country, bank accounts are full and running over. If a salesman interests a prospect in his product he should seldom meet with the discouraging words of times past when the prospect could say: "I like your product, I need it, I want it, but I just don't have the money."

The top salesman, now,—once he gets that fountain-pen unlimbered—has assurance that the check will be good, and that the prospect is not just practicing penmanship on the order blank.

There is nothing fundamentally wrong with our economy. Times are not even out of joint. We ought to examine ourselves and compare this age with other times when the situation was truly difficult. There is nothing—absolutely nothing—wrong with the present economic picture that hard selling will not cure. Good, hard, old-fashioned salesmanship will do more for the businessman of today than all the government supports, government lending, government hand-outs and government spoon-feeding could possibly do.

Coming from a government official, this may sound like an admission against interest. It is *not* an admission against interest—because the true interest of the country is wrapped up in the effort of the individual and of the individual firm, to survive under terms of a free economy.

The market, the money, the needs, are there. A certain amount of help and guidance can be provided from outside sources. But, after that, Mr. Businessman, it is up to you—as it always has been in the past and will be in the future, as long as the free enterprise system survives.

I know you *can* and *will* meet the challenge.

U. S. Steel Debentures Offered Publicly

Marking one of the largest corporate financing transactions on record and the first public financing for United States Steel Corp. since 1940, offering of $300,000,000 of the steel corporation's serial debentures is being made today (July 29.) Morgan Stanley & Co. and 244 associated investment firms are underwriting the distribution of $225,000,000 of the debentures, the corporation having retained the other $75,000,000 ($7,500,000 of each maturity) for sale to United States Steel and Carnegie Pension Fund at the same price paid by the underwriters.

The publicly offered debentures which are due $22,500,000 each Aug. 1, 1955 to 1964 inclusive, are priced at 100% plus accrued interest for all maturities and are scaled to yield, as to the respective maturities, from 1.30% to 2.65% as shown in the following tabulation:

1955	1.30%	1960	2.50%
1956	1.80	1961	2.55
1957	2.05	1962	2.60
1958	2.25	1963	2.65
1959	2.40	1964	2.65

The proceeds from the sale of the debentures will be added to the general funds of the corporation to restore in part working capital expended in recent years in its expansion and modernization program and will be used for corporate purposes including future expenditures for property additions and replacements.

During the five years 1949-1953 the corporation, as a part of this major program, made capital expenditures totaling over $1,500,000,000. The most important project was the construction of the new integrated Fairless Works, near Morrisville, Pa., which was substantially completed by the end of 1953, with all producing units in operation, and the development of iron ore properties in Venezuela with measured deposits of high grade iron ore of approximately 400,000,000 gross tons. At March 31, 1954 the estimated amount required to complete authorized replacements and additions was approximately $291,000,000.

For the calendar year 1953 the corporation reported products and services sold totaling $3,861,000,000. For the first six months of 1954 this figure was $1,670,800,000. Reported 1953 income before interest and Federal taxes on income was $547,200,000 and for the first six months of 1954 was $188,800,000.

The corporation on June 30, 1954 had outstanding 3,602,811 shares of 7% cumulative preferred stock, 26,121,556 shares of common stock and no significant amount of long term debt. The long term debt of railroad subsidiaries amounted to $64,872,768.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Insurance stocks continue to be among the best acting groups in the general equity market at the present time.

The advance for the group so far this year has been quite steady month by month. Individual shares of various companies have been in particular favor at different times although the whole list has moved forward. The gains made by some stocks are really quite substantial considering the stable character which most of the shares are reputed to enjoy. In comparison with most stock groups the action of insurance shares is indeed favorable.

One standard of comparison is the Dow-Jones Industrial Average and the index of insurance stock prices as compiled by "Barrons'." At the beginning of 1954 the Dow-Jones Industrial Average stood at 280.43. The Average has risen almost steadily to the present level of 344, a gain of about 64 points or almost 23%.

During the same interval "Barrons'" insurance stock average has moved up from 198 at the beginning of 1954 to its high of last week of 262.98. This was a gain of almost 65 points or about 33%. With the exception of two or three industrial groups, there are not many groups of securities than can show so favorable a market action in the current period.

Of course, there are individual industrial stocks which show larger percentage gains just as some of the insurance shares have done considerably better than the average. However, the rise in insurance stocks has been more general than the stock market as a whole. In contrast to the declines which some industrial stocks have sustained since the start of the year, practically all of the major insurance stocks have made at least modest gains.

The price action of 24 of the major fire and casualty insurance companies so far this year is shown in the following table. In addition to the current price, the quotation at the end of 1953, the point change for the period and price range for 1954 are presented. Where stock dividends have been distributed as in the case of Employers Group, Hartford Fire and U. S. Fidelity & Guaranty, prices have been adjusted so that figures are on a comparable basis.

	—Bid Price— July 28 1954	Dec. 31 1953	Points Change	1954 Price Range
Aetna Fire	71½	56¼	+15¼	72½- 56¼
Agricultural Insurance	34	29½	+ 4½	34½- 30
American Insurance	30⅞	26	+ 4⅞	30⅞- 25⅝
American Surety	65¾	60	+ 5¾	67 - 57½
Boston Insurance	39½	33	+ 6½	39½- 33¼
Continental Casualty	150½	96	+54½	150½- 96¼
Continental Insurance	96½	75½	+21	97½- 72
Employers Group	59½	46⅜	+13⅛	60¾- 42¾
Fidelity-Phenix	99	77½	+21½	99½- 76
Firemen's (Newark)	35	28	+ 7	35¼- 27⅛
Glen Falls Insurance	72¼	62¼	+10	72¼- 62¼
Great American	39¼	32¾	+ 6½	39½- 32¼
Hanover Fire	45¼	38¾	+ 6½	45¼- 36¾
Hartford Fire	173½	139¼	+34¼	174 -139
Home Insurance	47	39	+ 8	47¾- 38¾
Insur. Co. of No. Amer.	98¾	82¼	+16½	98¾- 83
New Hampshire Fire	47	44	+ 3	47 - 41
Phoenix Insurance	121½	101	+20½	121½- 97
St. Paul Fire & Marine	44½	36½	+ 8	45 - 35¾
Security Insurance	47½	35	+12½	47½- 35¼
Springfield F. & M.	56	49¼	+ 6¾	56 - 46½
U. S. Fidel. & Guar.	73½	61	+12½	73½- 64½
U. S. Fire	48½	38¼	+10¼	49 - 37¾
Westchester Fire	28½	25¼	+ 3¼	28¾- 25

The outstanding gain for the group has been in Continental Casualty with a rise of 54½ points or close to 57%. Other substantial gains have been made in Aetna Fire, Employers Group, Continental Insurance, Fidelity-Phenix, Hartford Fire, Insurance Company of North America, Phoenix Insurance, Security Insurance, U. S. Fidelity & Guaranty, and U. S. Fire. In other instances the point gain may not have been quite so large but the percentage gain was greater.

It is interesting to note that most of the shares are now selling near the high of their range for the year.

For the balance of 1954, we would anticipate that insurance stocks will continue to enjoy relatively favorable market action. Underwriting operations are expected to be maintained near the satisfactory level of last year. Investment earnings for most institutions are still in an upward trend so that overall results for the year should at least be equal to those of 1953.

Considering the foregoing, quite a few companies should enlarge their distributions to stockholders either in the form of increased cash payments, stock dividends or stock splits.

As in the past we would not expect all shares to follow the same pattern although the general movement should be upward.

Gold Hoarding Seen Diminishing

Bank for International Settlements reports postwar hoarding propensity weakened, partly because of fall in free market price of gold to level of official price, and partly because of strengthened confidence in national currencies.

In its review of gold movements during 1953, the 24th Annual Report of the Bank for International Settlements takes note of the decline in the gold hoarding propensity, which has prevailed throughout the postwar period. Concerning this development, the Report states:

"For a number of reasons, gold may go elsewhere than into monetary reserves. In the first place, there are the requirements of the arts and of industry, including the goldsmith's craft. Secondly, in countries in the east it has been the tradition for centuries to preserve part of one's assets in gold, e.g. in the form of rings specially fashioned for the purpose. Thirdly, in some of the countries of the Middle East, whose income from oil has much increased in recent years, gold is being minted again for use as a means of payment. Fortunately, private individuals and firms in European countries have acquired gold because they have had more faith in it than in their national currencies or simply because they have wished to spread the risk by distributing their assets. It would, of course, be incorrect to lump all those uses of gold together and to term them all 'hoarding of gold;' from a statistical point of view, however, all the gold that does not flow into monetary reserves may be called 'disappeared gold,' since its destination cannot easily be determined. This is what is meant by 'disappeared gold' in the accompanying table.

"A great change in the flow of gold occurred after mid-1953. While in the first half of that year gold was still going into hoards at a very high rate, this was no longer the case in the second half-year. It should, however, be stated at once that the figures for the second half give a somewhat exaggerated impression of the extent of the decline in gold hoarding; towards the end of the year there were quite substantial sales of Russian gold, a sizable porportion of which went into monetary reserves. But, even so, the decline in the amount of 'disappeared gold' was considerable.

"Looking back over the postwar period, one finds that during the five years from the beginning of 1946 to the end of 1950 (at which latter date the Korean conflict had not yet given rise to any real anxiety concerning currency values) the gold which flowed into monetary reserves was equal to $2,050 million, while the value of the 'disappeared gold' amounted to $1,985 million. There was thus a 'fifty-fifty' division during these years. During the following period, stretching from the beginning of 1951 to the end of June 1953, the increase in monetary reserves came to $570 million, while the total of 'disappeared gold' reached a figure of $1,560 million—a proportion of one to three. The abruptness of the subsequent change is brought out by the fact that, after taking account of the impact of the recent Soviet gold sales, the proportion during the second half of 1953 was about three to two, so that from the point of view of the growth of monetary reserves this was the best period since the end of the war.

"As to the reasons for this weakening of the propensity to hoard (which went together with a fall in the free-market price of gold down to the level of the official price) the main influence has, of course, been a strengthening of confidence in national currencies. In this connection, two factors are worthy of special note. One is the signing of the armistice in Korea, which took place on 27th July 1953. The other is the remarkable overall stability of prices which had been observable since the latter part of 1952 and which had naturally made a great impression on the public, for instance in France, where perhaps the main reason for the widespread gold hoarding has been the desire to hedge against rises in commodity prices.

"It was in the middle of November 1953 that the virtual cessation of net hoarding, together with the first indications that the Russians were selling gold, brought the free-market price down to $35 per ounce. . . . the market price of gold has been falling since 1951 notwithstanding the high proportion of gold still going into hoards in 1952 and the first six months of 1953; what then brought down the price was the fact that the gold producers were once more allowed to sell in the free markets, which were thus assured of a regular supply. Seen in retrospect, there can be no doubt about the calming effects in the monetary field generally of the decline in the free-market price of gold.

"The French public has specialized in the hoarding of coins; the decisive change which occurred in the second half of 1953 may be seen from the prices paid for gold coins on the Paris market.

"The premium paid for the 'napoleon' in relation to the price of the gold ingot had been compressed to 13% in the spring of 1954, after having been as high as 32% a year earlier.

"The reopening of the gold market in London on 22nd March 1954 did not mean the immediate restoration of the same freedom in all transactions as had existed before September 1939, but it must undoubtedly be regarded as a step in the direction of convertibility. There are no restrictions as regards sales of gold, but purchases are limited to three classes of buyers:

"(i) holders of American and Canadian Account sterling;

"(ii) holders of 'registered account' sterling, a new type of sterling which can be acquired only by non-dollar, non-sterling-area residents in exchange for gold or dollars; and

"(iii) sterling-area residents authorized to buy limited quantities of gold for trading and industrial uses.

"The market operates under the general supervision of the Bank of England, all transactions being conducted in sterling. Forward transactions are not yet permitted.

"Six authorized gold dealers meet daily to determine the price for gold on the basis of the offers and bids received. The initial price of 248s. 6d. per fine ounce quoted on 22nd March 1954 may be compared with the nominal 'mint' parity of 250s, which corresponds to the U. S. official price of $35 per fine ounce converted at the sterling-dollar parity of £1 = $2.80. If account is taken of the sterling-dollar market rate at that date (approximately £1 = $2.81½) and of the various costs involved in shipping gold for sale in New York, the opening London price will be seen to have been comparatively favorable to sellers. The fixed U. S. official price has the effect of setting a 'floor'—estimated, at the official sterling-dollar parity, to be about 1s. 8d. under the mint parity—below which the London price cannot fall. There is no such definite limit to movements in the upward direction, and the possible maximum rise in the price may, therefore, depend at times upon the willingness of the monetary authorities in London to sell gold through the market.

"It is still too early to express any very firm opinion about the volume and sources of trade in gold on the reopened market, but it seems that the gold sold there has emanated not only from producers but from various other sellers as well. It is of particular interest to note, however, that immediately after the reopening of the London market, the South African Government announced that domestic gold producers would thereafter be required to sell the whole of their output to the South African Reserve Bank, which would then dispose of it principally through the London market.

"The general tendency during the year under review has been to remove to an ever greater extent the restrictions on gold transactions. Thus the South African Treasury announced in October 1953 that dollar sales of gold for approved industrial uses could henceforth be made in the form of fine bars, without further processing and without any stipulations as to the manner of their subsequent utilization. Canada followed suit in December with a similiar ruling in favor of its producers. The other gold-producing countries of the Commonwealth had already introduced relaxations on the same lines in the course of 1952.

"It should also be mentioned that the Hong Kong gold market was partially reopened in October 1953, when the British Government granted permission to dealers to engage in transit operations and also to import gold for re-export to approved destinations. In August 1953 the fee levied on the import of gold into Macao was reduced, the reported explanation for this step being that it was an attempt to win back gold trade lost to the recently opened market in Bangkok, which was establishing itself as a new centre. Towards the end of July, Colombia, the foremost gold-producing country of Latin America, had introduced full freedom for gold trading, and in February 1954 the Syrian Ministry for Economic Affairs announced that gold could henceforth be freely imported and exported without a licence.

"Although the markets in Bombay and Alexandria are still officially closed, it has not been possible to put a stop to all unofficial trading. Tangier, formerly of major importance as a transit centre, has seen the volume of its business decline as the restrictions on gold dealings have been progressively lifted in most other places.

"During the eight years 1946 to 1953 world gold production (excluding that of the U.S.S.R. and associated countries) was of the order of $6,600 million, and of this amount $2,300 million, or about one-third, is estimated to have gone into private hoards (as distinct from having been used for industrial purposes).

"But now that the post-war inflation has been arrested and the disturbances due to the Korean conflict have been overcome, the hoarding of gold has declined to a minimum and it even seems as if in the early months of 1954 a certain amount of dishoarding took place. It would thus appear that if the various countries succeed in consolidating the monetary improvement which is now well on the way the public's desire to hoard gold will probably not be strong enough in the coming year to give rise to any serious difficulties, except in the event of a major political crisis.

Estimates of "Disappeared Gold"
(In millions of U. S. dollars)

*Items	1946	1947	1948	1949	1950	1951	1952	1953	—1953— 1st Half-Year	—1953— 2nd Half-Year
Gold production	755	770	805	840	865	840	865	860	425	435
Increase in official gold reserves	350	430	380	480	410	150	310	†430	110	†320
"Disappeared gold"	405	340	425	360	455	690	555	(430)	315	(115)
Accounted for by industrial uses	280	120	170	200	180	140	180	180	90	90
‡Private hoarding	125	220	255	160	275	550	375	(250)	225	(25)

*The figures for gold production and for changes in official gold reserves exclude the U. S. S. R. and associated areas.
†Includes possibly as much as $50 to $75 million added to official reserves as a result of sales of gold by the U. S. S. R. in the second half of 1953.
‡Residual item.

Sidney B. Patterson Forms Own Investment Firm

FT. WAYNE, Ind.—Sidney B. Patterson has formed Patterson Securities & Investment Co., Inc. with offices in the Lincoln Bank Tower. Mr. Patterson was formerly an officer of Foelber-Patterson, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury reported that the offering of $3,500,000,000 of tax anticipation certificates were overscribed by at least three to one. Subscriptions in excess of $50,000 were allotted only 40% of the amount requested. Last June the Treasury offered $5,500,000,000 of tax anticipation certificates with a 2½% rate as compared with the current rate of 1%. This latest offering of tax anticipation certificates brings the national debt to within $1,000,000,000 of the statutory limit.

The Government market is waiting for the refunding announcement which will have to come along soon if the Treasury is going to follow its indicated time table of making the terms of the offering public near the month-end. However, it seems as though a great deal of the initial surprise of the announcement has already been absorbed by the Government market, and whatever is offered by the Treasury appears to have been fairly well discounted.

The tone of the whole list is good and the demand for all issues is substantial. There are also sellers around, so that a two-way market with good volume and activity is being enjoyed by the financial community.

Market Uncertainty Prevails

The announcement by the Treasury that the August and September maturities of certificates would be taken care of by either a certificate, a long note, or a short bond, threw a bit of uncertainty into the Government bond market. The outstanding issues which were considered by money market operators to be in the vulnerable areas, for either a long note or a short bond, were quoted down. This was to a certain extent a protective measure because traders and dealers are not inclined to stand by and let bid prices be hit unless they have a pretty good idea that it will result in a favorable operation for them within a rather limited period of time.

The 1959, 1960 and 1961 maturities were the ones that were hit hardest at the start, in the quoting down process. However, there was a rather impressive recovery in certain of these issues, and this was brought about by what was termed real good investment buying. According to some money market specialists, it does not make too much difference now what the Treasury offers in the package deal, whether it will be a long note or a short bond, or a combination of both, because in their opinion the Government market is pretty well prepared for the impending refunding operation.

Refunding Preferences

It is believed that the one-year obligation will get considerable support from the commercial banks and those investors which must stay on the short liquid side of the situation. On the other hand, the out-of-town commercial banks, which are much more savings banks than commercial banks, will be more interested in either the long note or a short bond, provided, of course, the Treasury does not try to get the last drop of blood out of the turnip by shaving the rate too close.

If the Treasury is still interested in pushing out maturities, and there is considerable evidence to that effect, it seems as though the banks and institutional investors which can take on middle-term maturities are the ones to be appealed to in the refunding operation. Accordingly, it is the opinion of certain money market followers that the yield on the optional refunding issues should be attractive enough to get those holders of the August and September certificates that are in a position to do so to switch some if not all of their maturities into the issues that result in the debt being lengthened.

Federal Applying Pressure

Even though the money market continues on the easy side and the final decreases in reserve requirements will be made in the next few days, which adds to the investible funds, it is evident that the powers that be do not want things to get out of hand and bring about run away conditions in the Government market. The sales of Treasury bills by Federal in the last few weeks has tended to take some of the overflow out of the money markets. On the other hand, however, there will be ample funds around, so that the needs of the Treasury for either new money or refunding purposes will be well attended to.

The New York City reporting member banks since the start of the year have done considerable about the lengthening of maturities, and it is believed in some quarters that they will take advantage of the current refunding to add to their holdings of issues due in more than one year.

State funds, according to reports, have been giving the out-of-town commercial banks very keen competition in the acquisition of the longer-term Treasury obligations. Sellers of these issues, it is said, have at times been able to get very favorable prices for the bonds because of the demand from the aforementioned sources.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 2	§64.5	*65.3	65.8	92.6
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 2	1,538,000	*1,557,000	1,568,000	2,087,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 16	6,297,500	6,280,700	6,494,650	6,550,600
Crude runs to stills—daily average (bbls.)	July 16	¶6,969,000	7,121,000	6,893,000	7,088,000
Gasoline output (bbls.)	July 16	23,837,000	23,762,000	23,587,000	23,914,000
Kerosene output (bbls.)	July 16	2,122,000	2,422,000	2,186,000	2,130,000
Distillate fuel oil output (bbls.)	July 16	10,186,000	9,253,000	9,292,000	10,687,000
Residual fuel oil output (bbls.)	July 16	7,835,000	8,117,000	8,070,000	8,778,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 16	161,786,000	163,712,000	168,896,000	142,190,000
Kerosene (bbls.) at	July 16	30,318,000	29,078,000	25,942,000	29,190,000
Distillate fuel oil (bbls.) at	July 16	94,794,000	90,719,000	79,402,000	94,572,000
Residual fuel oil (bbls.) at	July 16	53,355,000	52,330,000	49,772,000	47,779,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 17	694,545	569,562	707,208	791,414
Revenue freight received from connections (no. of cars)	July 17	539,647	478,396	591,738	620,874
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 22	$259,290,000	$431,055,000	$312,926,000	$253,497,000
Private construction	July 22	136,166,000	254,577,000	160,090,000	140,584,000
Public construction	July 22	123,124,000	176,478,000	152,836,000	112,913,000
State and municipal	July 22	110,279,000	112,844,000	123,238,000	80,540,000
Federal	July 22	12,845,000	63,634,000	29,598,000	32,373,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 17	7,200,000	5,340,000	7,950,000	9,156,000
Pennsylvania anthracite (tons)	July 17	539,000	347,000	564,000	669,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 17	88	77	115	84
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 24	9,103,000	8,951,000	8,981,000	8,460,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 22	188	226	215	184
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 20	4.801c	4.801c	4.634c	4.634c
Pig iron (per gross ton)	July 20	$56.59	$56.59	$56.59	$56.76
Scrap steel (per gross ton)	July 20	$26.83	$26.58	$27.58	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 21	29.700c	29.700c	29.700c	29.625c
Export refinery at	July 21	29.525c	29.550c	29.500c	29.200c
Straits tin (New York) at	July 21	95.750c	96.625c	93.375c	78.500c
Lead (New York) at	July 21	14.000c	14.000c	14.000c	13.750c
Lead (St. Louis) at	July 21	13.800c	13.800c	13.800c	13.550c
Zinc (East St. Louis) at	July 21	11.000c	11.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 27	100.49	100.35	99.95	93.39
Average corporate	July 27	110.34	110.34	110.34	103.80
Aaa	July 27	115.24	115.24	115.04	108.52
Aa	July 27	112.37	112.37	112.19	106.04
A	July 27	109.97	109.97	109.97	102.63
Baa	July 27	104.14	104.14	104.48	98.25
Railroad Group	July 27	108.88	108.88	108.88	102.13
Public Utilities Group	July 27	110.70	110.70	110.52	103.47
Industrials Group	July 27	111.25	111.44	111.44	105.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 27	2.45	2.47	2.50	2.99
Average corporate	July 27	3.15	3.15	3.15	3.52
Aaa	July 27	2.89	2.89	2.90	3.25
Aa	July 27	3.04	3.04	3.05	3.39
A	July 27	3.17	3.17	3.17	3.59
Baa	July 27	3.50	3.50	3.48	3.86
Railroad Group	July 27	3.23	3.23	3.23	3.62
Public Utilities Group	July 27	3.13	3.13	3.14	3.54
Industrials Group	July 27	3.10	3.09	3.09	3.40
MOODY'S COMMODITY INDEX	July 27	428.7	431.0	431.9	424.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 17	192,054	180,775	215,919	195,839
Production (tons)	July 17	199,338	126,542	248,260	214,656
Percentage of activity	July 17	71	46	91	81
Unfilled orders (tons) at end of period	July 17	411,856	417,331	376,344	581,573
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 23	107.04	106.80	106.89	106.21
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 10	971,410	1,038,593	913,018	597,225
Dollar value	July 10	$45,818,129	$51,125,583	$42,675,362	$27,231,578
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	July 10	918,902	1,014,840	933,837	467,813
Customers' short sales	July 10	6,425	9,040	8,964	3,398
Customers' other sales	July 10	912,477	1,005,800	924,873	464,415
Dollar value	July 10	$39,815,234	$45,735,376	$41,662,713	$18,344,134
Round-lot sales by dealers—					
Number of shares—Total sales	July 10	265,400	314,280	340,290	126,710
Short sales	July 10	------	------	------	------
Other sales	July 10	265,400	314,280	340,290	126,710
Round-lot purchases by dealers—					
Number of shares	July 10	326,310	329,250	284,810	247,510
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	July 3	407,260	496,990	296,660	210,580
Other sales	July 3	10,368,110	10,323,190	7,327,740	4,311,210
Total sales	July 3	10,775,370	10,820,180	7,624,400	4,521,790
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 3	1,242,220	1,131,710	805,410	490,280
Short sales	July 3	228,210	226,840	185,410	88,800
Other sales	July 3	970,470	888,590	685,260	410,630
Total sales	July 3	1,198,680	1,115,430	870,670	499,430
Other transactions initiated on the floor—					
Total purchases	July 3	373,440	326,720	252,600	101,190
Short sales	July 3	24,800	23,300	24,500	9,600
Other sales	July 3	305,810	303,340	260,540	81,030
Total sales	July 3	330,610	326,640	285,040	90,630
Other transactions initiated off the floor—					
Total purchases	July 3	370,098	339,425	257,930	196,615
Short sales	July 3	58,800	102,810	34,880	62,500
Other sales	July 3	530,080	404,080	264,725	296,824
Total sales	July 3	588,880	506,890	299,605	359,324
Total round-lot transactions for account of members—					
Total purchases	July 3	1,985,758	1,797,855	1,315,940	788,085
Short sales	July 3	311,810	352,950	244,790	160,900
Other sales	July 3	1,806,360	1,596,010	1,210,525	788,484
Total sales	July 3	2,118,170	1,948,960	1,455,315	949,384
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 20	110.1	110.2	109.9	111.0
Farm products	July 20	95.7	95.9	94.4	98.9
Processed foods	July 20	105.5	105.6	104.5	108.3
Meats	July 20	92.1	94.3	91.1	101.8
All commodities other than farm and foods	July 20	114.2	114.2	114.4	114.5

*Revised figure. ¶Includes 756,000 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
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of May (in thousands)	$149,722,000	$154,666,000	$141,981,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of May:			
New England	$18,196,320	$24,059,033	$27,639,922
Middle Atlantic	71,572,574	110,066,444	89,399,345
South Atlantic	41,269,931	43,536,082	44,647,802
East Central	112,266,117	105,167,335	109,836,545
South Central	64,233,097	71,770,239	63,749,528
West Central	29,662,286	36,676,458	31,965,439
Mountain	12,921,549	13,318,867	11,852,463
Pacific	81,350,212	79,781,772	84,994,562
Total United States	$431,472,086	$484,376,230	$464,085,606
New York City	35,373,510	55,063,895	52,196,126
Outside New York City	$396,098,576	$429,312,335	$411,889,480
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of May (millions of dollars):			
Manufacturing	$44,805	*$45,183	$45,673
Wholesale	11,773	*11,643	11,550
Retail	22,844	*22,690	22,455
Total	$79,422	*$79,516	$79,678
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of May (000's omitted)	$227,600	$588,300	$221,500
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of June (1935-39 average=100)	103.8	104.5	118.8
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of May:			
Death benefits	$158,955,000	$171,065,000	$158,288,000
Matured endowments	41,416,000	45,376,000	37,168,000
Disability payments	8,804,000	9,573,000	8,834,000
Annuity payments	34,379,000	36,458,000	35,339,000
Surrender values	67,400,000	72,312,000	57,485,000
Policy dividends	66,561,000	73,908,000	58,118,000
Total	$377,515,000	$408,692,000	$355,232,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000's omitted):			
Ordinary	$2,077,000	$2,144,000	$2,010,000
Industrial	607,000	572,000	619,000
Group	602,000	467,000	492,000
Total	$3,286,000	$3,183,000	$3,121,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of May (millions of dollars):			
Inventories—			
Durables	$24,913	$25,345	$25,681
Non-durables	19,892	19,838	19,992
Total	$44,805	$45,183	$45,673
Sales	24,099	24,418	25,816
MONEY IN CIRCULATION—TREASURY DEPT. —As of May 31 (000's omitted)	$29,870,000	$29,735,000	$29,951,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of June	£15,510,000	£27,830,000	£18,205,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of May (in billions):			
Total personal income	$285.2	*$284.4	*$286.3
Wage and salary, receipts, total	194.5	*194.3	*199.0
Commodity producing industries	83.9	*83.7	*89.2
Distributing industries	52.1	*52.0	*51.5
Service industries	25.2	*25.2	*24.6
Government	33.3	*33.4	*33.7
Less employee contributions for social insurance	4.6	4.7	4.0
Other labor income	6.6	*6.6	*6.3
Proprietors and rental income	49.0	*48.2	*48.8
Personal interest income and dividends	24.0	*24.0	*22.6
Total transfer payments	15.7	*15.9	*13.6
Total non-agricultural income	269.0	*269.1	*270.5
PORTLAND CEMENT (BUREAU OF MINES)— Month of May:			
Production (barrels)	23,256,000	21,709,000	23,399,000
Shipments from mills (barrels)	24,888,000	23,567,000	22,924,000
Stocks (at end of month—barrels)	25,412,000	*27,044,000	25,247,000
Capacity used	97	93	97
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14=100—As of May 15:			
Unadjusted—			
All farm products	258	257	263
Crops	249	240	247
Food grain	227	234	242
Feed grain and hay	207	208	212
Tobacco	446	443	426
Cotton	272	267	269
Fruit	215	217	206
Truck crops	279	225	259
Oil-bearing crops	286	283	286
Livestock and products	267	271	277
Meat animals	331	333	317
Dairy products	230	237	256
Poultry eggs	168	178	218
U. S. GOVT. STATUTORY DEBT LIMITATION —As of June 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	271,259,599	273,484,781	266,071,061
Guaranteed obligations not owned by the Treasury	81,441	80,453	52,072
Total gross public debt and guaranteed obligations	$271,341,040	$273,555,234	$266,123,134
Deduct—other outstanding public debt obligation not subject to debt limitation	550,735	562,754	601,398
Grand total outstanding	$270,790,304	$273,002,479	$265,521,736
Balance face amount of obligations, issuable under above authority	4,209,695	1,997,520	9,478,263

Continued from page 11

Financing Through Public Stockholders

participating, of whom 114 are not supervisors. These are plans in which pooled payroll deductions are used to buy our stock in the open market. Each month's purchases are credited to the employees' accounts at the average cost each month. This plan costs our company nothing except a little paper work and administrative effort, except the plan for supervisors.

When the supervisor gets out of the plan, he has his choice of drawing down his stock or getting back the money he put in. So he is guaranteed, in effect, against lost.

In the first year and a half of operation of these plans they have accumulated about 1% of the outstanding stock of our company. That does not include holdings drawn down by those who got out of the plan, because they were leaving the company or for other reasons. Outside of these plans, there are close to 100 employees who are stockholders, including quite a handful of **former** employees who are **still** our stockholders.

We do not expect the employee who becomes a stockholder of our company to be any the **less anxious** to earn himself a salary increase or to have his union leaders negotiate a wage increase for him. As a part owner, we do **think** that he will tend to **take better care** of the truck, the typewriter or the shop tool that he uses; just as he takes **better care of the home** he **owns** than the **house he rents.** As a participator in his company's net profit, we think he is more likely to call attention to leaks that can be stopped, and to suggest ways for improving our earnings.

Some employers and some employees, still smarting from the salt which their 1929 stock purchase plans rubbed into their 1932 depression wounds, are opposed to all employee stock plans. They feel there is danger of damaged morale and intensified hardship, when the stock goes down with general business conditions or with the fortunes of the company.

We must admit that such risks exist. But we know that the risks **are greatly reduced** in our plans, **built upon the dollar averaging principle, as** compared to plans where the employee makes a long-term installment payment commitment to purchase a block of stock at a fixed price.

Market Liquidity Needed

In any event, if you want the advantages of employee stockholders, you cannot secure them in any substantial measure unless **your** stock is reasonably active and quoted in a readily available publication.

A very important reason for having public stockholders, tie into this matter of a ready market and a continuously quoted market, is the matter of **valuation of interests** in the company for **inheritance tax purposes,** and the **public** market as a source of funds **with** which to pay inheritance taxes.

At this point I would like to tell you a true story, which shows **what can happen** when a stock **has no quoted market.**

Some years ago a friend of mine, principal owner of a large privately owned company, gave a block of prefered stock in his company to his children, and filed gift tax returns. The stock had been paying dividends very irregularly, and he claimed a valuation which was **well below the** par value.

The Federal taxing authorities claimed that he should pay a gift tax on a valuation **in excess** of par value because of the unpaid dividends accrued on this preferred stock. The matter went to court, and my friend retained me to testify on his behalf as to the value of the stock.

On the basis of my 20 years experience in the evaluation and analysis of securities, the court accepted me as a qualified expert.

None of the securities of this company had any quoted market, but it was operating in an industry, printing and engraving, where there were a number of quoted securities of similar companies.

I worked out average ratios to market value for the industry, as to net earnings, net worth, average net earnings, dividend rates, and the distribution of market value between preferred and common stock. I came up with seven different valuations for this stock based on seven formulae, averaged these valuations and testified to a figure of $80 per share as being the fair market value of this stock. All of my complutations were put in the record.

The government put on a young man, who was accepted as a qualified expert based on about 10 years experience in the securities business. He very briefly stated that he knew how to value securities, that he had looked at the figures on my friend's company, had compared them to those of a lot of other companies, and this stock was worth $120 per share, period.

When the wheels of justice unwound, it developed that the judge, as he had every legal right to do, gave equal weight to my thoroughly documented calculations and my young opponent's flat statement. He split the difference, and decreed that my friend should pay gift tax on a value of $100 per share.

That story, I think, is a conservative rather than an extreme example of what can happen in valuation of unquoted securities for inheritance tax or gift tax purposes.

This audience will readily understand, without any arithmetic on my part, that a difference of only 25% in the valuation for estate and inheritance taxes of a major stockholding in a medium sized truck line, can mean a tax bite that would pay the cost of maintaining good relations with a fair sized number of public stockholders for many years.

Valuation Factors for Unlisted Issues

A few months ago the Treasury issued an explanation of how to determine the estate tax value of stock on which market quotations were either unavailable or were so scarce that they do not reflect fair market value. This did not include any formulae, but was rather a list of factors to be taken into account. It did **not** assign **weights** to these factors, but **did** say that **earnings** would be the primary test in valuing stocks of companies selling services to the public.

The factors listed included: nature of business, history of business, date of incorporation, general economic outlook, condition of the industry, book value of the stock, financial condition of the company, earning capacity, dividend-paying capacity, goodwill, market prices of similar stocks listed on exchanges, sales of this stock, and size of the block to be valued.

That is a list of 13 factors, which is not complete. You can readily see that with 13 or more factors to be considered, no established formulae, and no list of weights for the various factors, there is great room for argument as to value; and I have shown you how such arguments are sometimes settled.

In contrast, when you have **enough** public stockholders so that there is a **quotation reflecting fair market value,** the factors concerned in the valuation are, practically speaking, only two of the 13 listed. Those are, the selling price or quotation on the stock and the size of the block to be valued.

The size of the block has come to be a factor under what is known as the blockage rule. If the stock has a good 100 share market, such as a close bid and ask that is good for 100 shares on either side, you may be able to sell 100 shares on that bid, maybe 200 or 300 shares, but the bid will be lower on 1,000 shares. It may be 10% or so lower on a block of 5,000 or 10,000 shares. Then this discount from current market can be applied under the blockage rule in arriving at the taxable value.

Summarizing this tax value point, if you **don't** have a public market on your stock, the estates of your major stockholders may be taxed on **unreasonable values,** and you may **not** win if you take it to court. If you **have** a public market, the same estate will almost certainly be taxed on a price which is **lower** than the current market, depending on the size of the block to be valued.

In either case, once the tax has been determined, there may be a big chunk of money to be paid out. If you **have** a public market, part of the stock can be sold to get the money. If you **haven't** a public market, you may have a **serious problem.** One of the great advantages to a public market for our line of business is that **with** a public market, a piece of a truck line is a **liquid** and **readily marketable** asset, and **without** it, you have something **considerably harder** to sell than a piece of real estate. If it is a minority interest, you may have **no prospective** market except the **controlling interest.** If it is the controlling interest or part of control, your market may be broader, but you may wander for months through Section Five of the Interstate Commerce Act. I do not mean that you can avoid Section Five by having public stockholders. The sun and the rain of Section Five falleth alike upon the marketable and the unmarketable.

Now for the most **obvious** and most **important** reason for having public stockholders. Investors are a **source of capital.** Keep them happy, treat them fairly, show them that you can earn a good return on additional capital, and they will take care of your expansion needs.

The typical growing trucking company which is privately owned is constantly engaged in trying to lift itself by its own bootstraps. Its growth is limited by the amount of earnings it can retain after taxes and plow back into the business. It **can** borrow, up to a point, and then finds that the lender insists on a certain ratio of net worth to borrowings. It can lease equipment that is **not** the best for the job at rentals that are **not** the best for the lessee. It can divide the fruits of its labor with terminal landlords.

There is a certain fair - sized highway common carrier, commonly believed because of its initials to be in the specialized business of hauling a type of pastry, which for the last seven years has consistently had twice as good an operating ratio as the industry average.

This record is ascribed to various causes by various people, but as one whose waistline clearly discloses his specialized knowledge of pastry, I can tell you that **capital, public capital** is more than 50% of the **answer.**

With public capital, this line has been able to build its own terminals to its **own design.** It owns its own equipment, built largely to its own design for its particular type of service. It pays reasonable interest rates for its borrowed money, largely because it has a high ratio of equity money to borrowed money, and pays reasonable dividends for its equity money.

Four years ago, when we hoped to be allowed to buy the Keeshin lines, we felt that we would need more equity capital in our business. Our stock was then selling for $25 per share, an aggregate market value of $5,200,000 for the entire equity in the company. We issued rights to the stockholders, transferable rights, to buy one additional share at $16 for each three shares held. That was enough to produce $1,116,000. The total amount we had paid our stockholders in dividends up to that time was less than half what we were then asking them for.

One of our stockholders underwrote the whole offering without charge, the only consideration for his liability being the right to take the unsubscribed stock at $16. He got less than 400 shares that way. Not only was 99½% of the offering subscribed, but **70%** was taken by the **same stockholders** who **received the rights,** without transferring their rights to others.

In the year 1952, 1,034 Intercity general freight common carriers employed some 60,000 power units in their operations, most of which they owned, and made a profit after taxes of $43 million. When power units cost what they do today, not to mention trailers and shops and terminals, how fast can privately owned truck-lines expand out of annual net profits that are equivalent to $712 per power unit employed?

Negative Argument

So much for why a truck-line **should** have public stockholders. Are there any arguments on the other side? Yes, there are some. most of them can be compressed into the sentiment, "I wouldn't want to work for a bunch of blankety-blank stockholders."

For over 25 years I have been a director of one or more publicly held companies where voting control is in the open market. I have found that a bunch of stockholders are as easy to get along with as **any other** kind of owner, including, in most cases, that lady who owns 50% of your property if you live in a community property state.

So long as you are paying a reasonable dividend and the market price of the stock does not reflect imminent catastrophe, not more than a handful of outside stockholders will show up at the annual stockholders meeting. Sometimes they are even so uninterested that you may have to do some special soliciting in order to round up enough proxies for a quorum.

If you skip the dividend or the stock goes to pieces in the market, then they will come around and want to know what is going on, and if you don't have a satisfactory answer, they may start looking for someone who can do a better job of running their business for them. One company I know, over a period of 27 years never had more than five outside stockholders at a meeting, except during the two depression years when they weren't paying dividends. Then they had 12 or 15.

There **are** a very few financial pirates roaming around the country, who like to buy into companies and then make trouble in order to force the management to buy them out at a profit. But they are only looking for the easy ones —those that are badly managed or not being fair to their stockholders or both. If you can't stay out of that class, you would probably get in trouble as a privately owned company, too.

Financial Exhibitionism

There are also a few financial exhibitionists; the guy who loves to read in the paper the next day, that at the annual meeting of the XYZ Billion Dollar Corporation he, George Spelvin, asked the President, an embarrassing question and made a motion that was defeated 2,146,787 to 15. You can't do much about such characters, but you don't have to start worrying about them until your company gets in the billion dollar class.

There is another angle which is good or bad, depending on how you want to look at it. Joe Bush, the independent operator, may regard a bunch of highway violation tickets as part of his normal cost of doing business. But **President Joseph X. Bush** of the **publicly held Bush Freight Lines** will get pretty red-faced, either on his own or with the assistance of a few stockholders, if his company's name appears in the paper for having been awarded three or four hundred tickets in the last three months.

Highway tickets are only a minor example of the point involved. The publicly held company is **forced** to accept its **responsibility** to the **public interest** in a way and to an extent that **all** companies **should** accept it. But some companies, in some lines of business, do not. I won't pursue that thought any further. If I did, you might dismiss it with the thought that Small is already in the trap, and misery loves company.

How to Get the Stockholders

Now, a few tips on how to get public stockholders, and how to keep them happy. I have never read a book on financial public relations, and if I contradict the experts, I apologize. All I know on this subject is what I have suffered and observed.

You can't have much of a market unless the earnings are sufficient to support an aggregate market value of at least $500,000 in the hands of the public. That means that you are hardly big enough for a public stock issue unless the proportionate net earnings after taxes will be at least $100,000 on the part of the stock you sell to the public.

The smaller the issue in dollar value, **the higher** will be the cost of **flotation** in proportion to money involved.

Exercise a good deal of care in picking the investment banker to handle your stock issue. Not all securities dealers are Common Carriers of General Securities. Some handle only tax-exempt bonds. Some handle only institutional grade securities. Some won't handle issues **below** a certain size, and some are incapable of doing a good job on issues **above** a certain size. Your commercial banker can be of great help to you in picking the right dealer and in making the initial contact for you.

Don't expect to discuss your offering with several different dealers and then take the best bid. Proposed stock deals get shopworn very qiuckly and then deteriorate in value. Investment bankers are conscientious people who expend a good deal of effort and money in investigation before making an offer, and become rightly incensed if you then take the deal somewhere else for a slightly higher price.

Don't expect to get the last nickel out of the public on any new offering, and **especailly** your **first** one. You make **happy** stockholders when you **show them a profit** on their investment, and the **reverse** is **equally** true. If your offering of stock goes up a point instead of down a point, 30 days after the offering, it will make all the difference in the world to the success of your subsequent offering. The only sure way to make your stock go up on the initial offering is to price it attractively, compared to what other similar securities are already selling for.

Your stock offering can be distributed most readily in the territory you serve, where the people see your trucks. And naturally, stockholders in your own territory will do you the most good. This has a bearing on what dealer you approach. Find out first where his distribution is strong, if you can.

If you don't wash or repaint your your equipment very often, better change your maintenance policy some time before you try to negotiate a stock issue.

Once you have acquired some public stockholders, you want to keep them happy. That involves several things. You must keep them informed, treat them fairly in the matter of dividends, and foster good public relations with the general public.

We send a personal letter to each of our new stockholders. We welcome the new stockholder into our corporate family, invite him to visit our terminals and general headquarters, make himself known, be shown around and get acquainted with the management. If we identify him as one of our competitors, as occasionally happens, we pen a note on the bottom of the letter saying, 'Hi, Joe, Thanks for the compliment!'

A financial mailing list is maintained, covering the newspapers in our territory, the general business and trucking periodicals and the financial statistical services. Our quarterly earnings statements are mailed to this list. These quarterly statements are on a consolidated basis like our annual report to stockholders, and differ in accounting form and content from our ICC quarterly reports. We have not been mailing quarterly earnings statements to stockholders, but we probably should.

We issue financial news releases whenever we have any major development to report, such as a new terminal, new equipment, or a change or reassignment of executive personnel.

Our annual report is addressed to stockholders, customers and employees. In addition to being a report to stockholders it is designed to be a sales piece and a medium of employee information. This year we printed 17,000 copies, although we have less than 4,000 employees and stockholders.

Copies of our annual report are available at this meeting for those who are interested.

Dividend Policy

In the matter of dividend policy. The stockholder owns the company and the earnings belong to him. In principle, he is entitled to have all the earnings paid out as dividends, unless his interests are better served in the long run by having part of the earnings retained in the business.

Looking at the trucking industry as a whole, we have a large employment of borrowed money and leased equipment and terminals, a high ratio of gross revenue to net worth, and a good rate of earnings of invested capital. A good case could be made out for retaining the entire earnings of the industry and paying none of them out in dividends. This goes on in many privately owned trucking companies.

Under present conditions, the average trucking company can earn a higher return on earnings plowed back into the business than the stockholder can make on the same dollars paid to him in dividends, even if you ignore the income taxes that the stockholder has to pay on those dividends.

But if you follow that kind of policy—if you plow back all or nearly all of your earnings—your stockholder won't like it.

He wants a regular return on his stock. Actually, he would rather have a regular dividend of $2 per share per year than a fluctuating dividend, $1 to $4, that might average $2.50 per year. The company treasurer has budget problems, but so does the stockholder, and the stockholder's budget problems are more directly concerned with eating regularly. This is a matter respecting which operating managements frequently have difficulty understanding the situation. It is a place where many companies have gone wrong.

If you keep your stockholders happy, one of the necessary elements in that happiness being a fair regular dividend, they will give you the money you need for expansion and to improve your capital position. You won't have to hold it back out of the earnings.

In conclusion, let me repeat, I know nothing about financial public relations except what I have learned by my own trials and errors and watching the trials and errors and successes of other people. Perhaps I have violated all the rules in the book.

This matter of applying one's experience, reminds me of a story I heard recently.

There was a competitive swim across the English Channel with a number of entries from different countries. The event had been built up with plenty of publicity and there were plenty of newspaper correspondents waiting for the winner on the beach there at Dover. They even had a BBC television transmitter set up.

Presently a swimmer, dark with the usual coat of axle-grease, could be seen approaching the beach. The runner-up, or I should say, the swimmer-up, was at least a half a mile behind the leader.

When the leader emerged from the waves it was clear that a girl had won the big event. And when they had scraped enough grease off to make her presentable before television, she turned out to be the Italian entry.

The TV interviewer then said, "This is a remarkable victory, Signorina. How could a young girl like you have became a good enough swimmer to beat such strong competition by such a wide margin? Have you had a lot of swimming experience?"

"Oh yes," she replied, "I used to be a telegraph messenger in Venice."

Continued from page 3

The Market Outlook

ments he referred to the rise in the Dow-Jones Averages.

As a former professor of economics, he must know that stockholders can only spend their dividends and not the stock market averages. Furthermore, his statement about stockholders as a group does not conform to the simple facts of the American economy. While corporate profits and dividends have grown, they have failed to keep pace with other items in the national income, such as wages and salaries and farm income. All reliable sources of information show that stockholders and other owners of property have received a steadily shrinking share of the national income during the past quarter of a century. While they received a one-fifth of the nation's income in 1929 in the form of dividends, rent and interest payments, today the share has fallen to less than one-tenth. In 1929 dividends from corporate enterprises amounted to 6.7% of the national income and in 1952 only 3.1%, according to a study by the National Industrial Conference Board based on Department of Commerce statistics. Furthermore, despite the vastly increased need for plowing back profits so as to maintain plant and equipment, renew, refurnish and expand, reinvested corporate profits are today a smaller percentage of the national income than in 1929. Quotations for common stocks cannot alter these facts.

The second unfavorable development for investors was the unexpected filing of a civil antitrust suit by the Department of Justice against the United Fruit Company. There is little doubt that this move has political objectives, and to this extent the 68,000 odd stockholders of the Company have become the pawns of international diplomacy. Regardless of the legal basis for Attorney General Brownell's action, it is bound to have an extremely bad effect on the prestige and position of every American corporation with Latin American properties or interests. The timing of the suit was particularly unfortunate since Washington has been attempting to encourage private foreign investment not only in Latin America, but in other parts of the world as a substitute for Point Four.

The worldwide Communist propaganda apparatus has long been calling each and every American privately owned corporation a "monopoly." All enemies of capitalism will now be quick to exploit this U. S. sponsored anti-trust suit as an official admission of their widely proclaimed charges. The Kremlin's semantic fraud is something quite different from "monopoly" as identified by the Sherman and Clayton Acts, or as construed in the reports of the Federal Trade Commission and innumerable court decisions. But how can Washington's propaganda experts, if it has any, explain these complexities to hundreds of milions of people throughout the world whose minds the Kremlin seeks to poison against us? After all, about a year ago a White House-appointed commission said in effect that there is no such thing as psychological warfare. In a free world it is only acts that count, not words. The Psychological Strategy Board of the Truman Administration was abolished. Now Mr. Brownell has acted and his actions must be judged by the very same principles set up by his own colleagues.

National Uranium Stock Offered at $1 a Share

Vickers Brothers and Jay W. Kaufmann & Co., both of New York City, are offering publicly 298,000 shares of common stock of National Uranium Corp. at $1 per share "as a speculation."

The company intends to use the anticipated net proceeds of $210,000 first, to repay the $10,000 borrowed from One Hundred Associates of America, Inc., to meet its mortgage payments made June 10, 1954, the next $10,000 to meet the mortgage payment of $10,000 due July 31, 1954, and the balance of $190,000 for the general funds of the company to be used for working capital, including expenses for drilling, driving of exploratory drifts, underground development work, road building, and other geological and exploratory work on the company's properties and/or for the acquisition and development of new mining claims.

National Uranium Corp. was incorporated in Utah on July 6, 1952, for the purpose of acquiring interests in certain properties and to engage generally in the acquisition, exploration and development of uranium and vanadium properties. Its principal office is located at 29 Broadway, Room 1707, New York, N. Y.

On the Wrong Road!

"In fact, the market economy can thrive only as part of and surrounded by a *burgerliche* social order [roughly, a free enterprise system]. Its place is in a society where certain elementary things are not only respected but colour the whole life of the community: individual responsibility, respect for certain indisputable norms, the individual's striving, in all honesty and seriousness, for advancement and for developing his faculties, independence anchored in property, responsible planning of one's own life and that of one's family, thrift, enterprise, the assumption of well calculated risks, the sense of workmanship, the right contacts with nature and the community, the sense of continuity and tradition, the courage to brave the uncertainties of life on one's own account, the sense of the natural order of things.

William Roepke

* * *

"The lengths to which we have gone already in thinking of an essentially *unburgerliche* world are indeed remarkable. That is a fact which the economists too should take to heart, for they are among the worst sinners.

"How often we discuss, enchanted by the elegance of a certain type of analysis, the problems of aggregate savings and investments, the hydraulics of income flows, the attractions of vast schemes of economic stabilization and social security, the beauties of advertising or hire purchase, the advantage of 'functional' public finance, the progress of giant enterprise, and so forth, without realizing that, in doing so, we take for granted a society which is already largely deprived of those *burgerliche* conditions and habits which I described!

"It is shocking to think how far already we are thinking in terms of a proletarianized, mechanized, centralized mass society. It has become almost impossible for us to reason in terms other than those of income and expenditure, input and output; we have forgotten how to think in terms of property."
—William Roepke.

Yes, definitely shocking!

B. J. Cunningham Now With Blunt Ellis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Bernard J. Cunningham has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Cunningham was formerly with Goldman, Sachs & Co. and prior thereto was with Hicks & Price in their trading department.

Robinson Joins Blair, Rollins Co.

S. Charles Robinson has been appointed Manager of the stock trading department of the investment banking firm of Blair, Rollins & Co., 44 Wall Street, New York City, it was announced by Joshua A. Davis, Chairman. Mr. Robinson recently was with Blyth & Co., Inc. as a dealer contact and previously was Manager of the common stock trading department of Kidder, Peabody & Co., with whom he was associated from 1928 to 1952.

2 With Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Burling G. Doolittle and E. Jean Henderson have joined the staff of Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Doolittle was previously with Somerset Securities Corporation.

Halsey, Stuart Group Offers Consolidated Nat. Gas Debentures

Halsey, Stuart & Co. Inc. and associates yesterday (July 28) offered $25,000,000 Consolidated Natural Gas Co. 3% debentures due 1978, at 100.855% and accrued interest to yield 2.95%. The group won award of the debentures at competitive sale on July 27 on its bid of 100.30%.

Proceeds from the sale of these debentures will be used to redeem on or about Sept. 1, 1954, $25,000,000 principal amount of 3⅞% debentures due 1978 presently outstanding at a premium of 4.82% over the principal amount plus accrued interest.

The debentures are redeemable at prices ranging from 103.86% to par, while sinking fund redemptions beginning Aug. 1, 1958, run from 100.76% to par.

Consolidated Natural Gas Co. is engaged solely in the business of owning and holding all of the outstanding stock of five operating companies engaged in the natural gas business. The subsidiaries constitute an interconnected and integrated natural gas system engaged in all phases of the natural gas business. The subsidiaries as a group serve approximately 992,000 customers in 719 communities in the so-called Appalachian Area in Ohio, West Virginia, and Pennsylvania.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ ACF Brill Motors Co.
July 19 (letter of notification) 2,000 shares of common stock (par $2.50). **Price** — At market (approximately $8.25 per share). **Proceeds**—To William S. Wasserman, a director. **Underwriter**—Elliott & Co., New York.

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.

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.

★ Arkansas Power & Light Co. (8/24)
July 23 filed $7,500,000 of first mortgage bonds due 1984. **Proceeds** — To repay $4,900,000 of bank loans and for construction program. **Underwriter**—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 to be received about Aug. 24.

★ Atlas Investment Co., Reno, Nev.
July 19 (letter of notification) 75,000 shares of class A common stock (par 10 cents); 2,340 of class B common stock (par $25); and 2,340 shares of class A non-cumulative preferred stock (par $100). The preferred and class B common shares are to be offered in units of four shares of each class of stock. **Price**—Of class A common, at par; and of units, $500 each. **Proceeds** — For real estate and insurance agency business. **Office** — 131 West 2nd St., Reno, Nev. **Underwriter**—None.

• Automatic Firing Corp., St. Louis, Mo. (8/3)
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) being offered first to stockholders to July 30. **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.

★ Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

• Buffalo Forge Co., Buffalo, N. Y.
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. **Offering**—Postponed indefinitely.

• Byrd Oil Corp., Dallas, Texas
June 15 filed 260,000 shares of 6% cumulative convertible class A common stock (par $7.50) being offered for subscription by common stockholders of record June 15 at rate of one new share for each 2.5 shares held; with rights to expire on Aug. 11. **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).

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.

★ Canada General Fund (1954) Ltd. (8/16-17)
July 23 filed 2,500,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriters**—Bache & Co. and Paine, Webber, Jackson & Curtis (latter handling books). **Sponsor** — Vance Sanders & Co., Boston, Mass.

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. **Office**—600 Utah Savings and Trust Bldg., Salt Lake City, Utah.

• Central Telephone Co., Lincoln, Neb. (8/10)
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 of record Aug. 2 on the basis of one share of preferred and an option to purchase one additional share of preferred stock (at 50 cents per share) for each common share held (with an oversubscription privilege); rights to expire on Sept. 30. **Price**—55 cents per unit. **Proceeds**—For development program and working capital and general corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None.

NEW ISSUE CALENDAR

July 29 (Thursday)
Illinois Central RR.........................Bonds
(Bids noon EDT) $25,000,000

July 30 (Friday)
Republic Uranium Corp......................Common
(Teden & Co., Inc.) $297,500

August 2 (Monday)
Midland Commercial Corp...Preferred & Common
(A. J. Grayson) $300,000
Northern Illinois Gas Co...................Common
(Bids 11 a.m. CDT) between 159,532 and 272,255 shares
Trans-World Uranium Corp...................Common
(Charles Weinstein & Co.) $293,750

August 3 (Tuesday)
Automatic Firing Corp..................Debentures
(White & Co.) $300,000
Central of Georgia Ry..........Equip. Trust Ctfs.
(Bids noon EST) $2,655,000
Mountain States Tel. & Tel. Co.........Debentures
(Bid 11 a.m. EDT) $20,000,000
Sulphur Exploration Co.....................Common
(L. D. Sherman & Co.) $300,000

August 5 (Thursday)
King Copper Mining Corp. Common
(D. Gleich Co.) $147,500

August 9 (Monday)
New York Capital Fund of Canada Ltd....Common
(Carl M. Loeb, Rhoades & Co.) 1,000,000 shares
Pacific Power & Light Co......................Bonds
(Bids noon EDT) $30,000,000
United Funds Canada Ltd....................Common
(Glore, Forgan & Co. and Francis I. duPont & Co.) about $25,000,000

August 10 (Tuesday)
Central Telephone Co...................Debentures
(Paine, Webber, Jackson & Curtis and Loewi & Co.) $1,500,000
Harrisburg Steel Co........................Common
(Reynolds & Co.) about 200,000 shares

August 11 (Wednesday)
Southern Colorado Power Co.................Preferred
(Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Boettcher & Co.; Bosworth, Sullivan & Co., Inc.; William R. Staats & Co.; Hutchinson & Co., and Rauscher, Pierce & Co., Inc.) $1,500,000

August 16 (Monday)
Canada General Fund (1954) Limited....Common
(Bache & Co. and Paine, Webber, Jackson & Curtis) $25,000,000
Supermarket Merchandisers of America Inc...Com.
(Milton D. Blauner & Co., Inc.) $299,550

August 17 (Tuesday)
New Jersey Power & Light Co..................Bonds
(Bids 11 a.m. EDT) $8,700,000

August 18 (Wednesday)
Southern California Edison Co.................Bonds
(Bids to be invited) $30,000,000

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 Bell Telephone & Telegraph Co....Debs.
(Bids to be invited) $55,000,000

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)
Northern States Power Co.....................Bonds
(Bids to be invited) $20,000,000

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

★ **Coke River Development Co., Green River, Wyo.**
July 21 (letter of notification) 50,000 shares of capital stock, of which 33,500 shares are to be issued for assignment of leases and 16,500 shares are to be sold publicly. **Price**—At par ($1 per share). **Proceeds**—For operation of leased claims. **Underwriter**—None.

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.

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.

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.

★ **Erickson Placers, Inc., Anchorage, Alaska**
July 15 (letter of notification) 24,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For mining operations. **Office**—528 C St., Anchorage, Alaska. **Underwriter**—None.

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.

★ **Four Corners Uranium Corp., Denver, Colo.**
July 26 filed 500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To repay bank loans, note and on contracts for purchase of certain claims and properties; and for other general corporate purposes. **Underwriter**—Campbell, McCarthy & Co., Detroit, Mich.

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.

● **Gray Manufacturing Co., Hartford, Conn.**
June 10 filed 58,119 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 29 on the basis of one new share for each four shares held; rights to expire on Aug. 20. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None. Statement effective July 22.

★ **Gulf Coast Western Oil Co.**
July 22 (letter of notification) $299,000 of 6% convertible secured debentures. **Price**—At par. **Proceeds**—To pay present debt and for working capital. **Office**—916 Republic Bldg., Oklahoma City, Okla. **Underwriter**—Harrison & Co., Philadelphia, Pa.

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 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% 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.

★ **Hall Building Co., Minneapolis, Minn.**
July 21 (letter of notification) $100,000 of 4½% debentures due March 1, 1973. **Price**—At face value (in units of $500 each). **Proceeds** — For building improvements and purchase of real estate. **Office**—618 N. Third St., Minneapolis, Minn. **Underwriter**—None.

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.

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.

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.**
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 capital. **Underwriter**—Milton D. Blauner & Co., Inc., and Baruch & Co., Inc., both of New York; and Hallowell, Sulzberger & Co., of Philadelphia. **Offering**—Expected today (July 29).

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.

★ **Justice Industries, Inc., Washington, D. C.**
July 19 (letter of notification) 15,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To obtain and exploit a patent of a new rotating refrigerating device. **Office**—927 — 15th St., N. W., Washington, D. C. **Underwriter**—None.

● **King Copper Mining Corp. (8/5)**
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.

★ **Kopp Scientific, Inc.**
July 23 (letter of notification) 30,000 shares of common stock (par 10 cents). **Price**—At market (50 cents per share to underwriters). **Proceeds**—To Lucien D. Lamar, the selling stockholder. **Underwriter**—McCoy & Willard, Boston, Mass.

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.

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.

★ **Los Ritos Mining Corp., Reno, Nev.**
July 13 (letter of notification) 100,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining operations. **Office** — 139 N. Virginia St., Reno, Nev. **Underwriter**—Clarance R. Martin, same address.

● **Marion River Uranium Co.**
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

★ **Mars Metal Corp., San Francisco, Calif.**
July 23 filed 121,000 shares of class A stock (par 10 cents) and 3,000,000 shares of common stock. It is planned to sell at $2.50 per share 75,000 class A shares privately, the remaining 46,000 shares to be issued to provide working capital or funds for investment. Of the common stock, 320,000 shares are to be reserved for holders of class A stock; 172,000 shares for issuance at 10 cents per share pursuant to stock options given to certain key employees; and 100,000 shares are reserved for issuance at $1.50 per share during the years 1955-1957 upon the exercise of a like number of warrants granted to certain dealers in connection with public offering by F. W. Stephens Co., New York, of 199,000 class A shares.

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.

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.

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.

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**—To be received up to 11 a.m. (EDT) on Aug. 3 at Room 2315, 195 Broadway, New York, N. Y.

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

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.

★ **National Tank Co., Tulsa, Okla.**
July 20 (letter of notification) 6,800 shares of common stock (par $1). **Price**—$29 per share. **Proceeds**—To two selling stockholders. **Underwriter**—Schneider, Bernet & Hickman, Dallas, Tex.

Continued on page 32

Continued from page 31

★ Naval Officers Realty Corp.
July 21 (letter of notification) 11,500 shares of common stock (no par) to be offered first to stockholders. **Price**—$25 per share to stockholders, and $26 to public. **Proceeds**—To purchase additional properties. **Office**—569 Geary St., San Francisco, Calif. **Underwriter**—None.

★ Nekoosa-Edwards Paper Co., Port Edwards, Wis.
July 16 (letter of notification) 1,498 shares of common stock (par $25) to be offered for subscription by employees. **Price**—$25.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● New Jersey Power & Light Co. (8/17)
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. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 17 at 67 Broad St., New York 4, N. Y.

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.

★ New York Capital Fund of Canada, Ltd. (8/9-13)
July 27 filed 1,000,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

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.

★ North Park Uranium Co., Inc.
July 13 (letter of notification) 750,000 shares of common stock (par 10 cents.) **Price**—40 cents per share. **Proceeds**—For mining operations. **Office**—501 Aliso Drive, N. E., Albuquerque, N. M. **Underwriter**—Philip Gordon & Co., Inc., New York. Statement effective July 28.

● Northern Illinois Gas Co. (8/2)
July 16 filed a maximum of 272,255 shares of common stock (par $5), the minimum number of shares being 159,532. **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. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly).

★ Pacific Northwest Mining Co., Bremerton, Wash.
July 19 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining operations. **Office** — 619 4th St., Bremerton, Wash. **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.

★ Peabody Coal Co., Chicago, Ill.
July 14 (letter of notification) 17,300 shares of 5% convertible prior preferred stock (par $25). **Price**—At market (estimated at $11.75 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill.

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.

★ Pittsburgh Metallurgical Co., Inc.
July 23 filed $2,023,500 of convertible subordinated debentures due Aug. 1, 1974, to be offered for subscription by common stockholders at the rate of $100 of debentures for each 25 shares of common stock held. **Price**—$100 per $100 principal amount. **Proceeds**—For working capital. **Office**—Niagara Falls, N. Y. **Underwriter**—Kuhn, Loeb & 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.

★ Radak Oil, Inc., Rapid City, S. D.
July 16 (letter of notification) 250,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For drilling and equipment. **Office**—510½ St. Joe St., Rapid City, S. D. **Underwriter**—None.

★ Realty Mortgage Co., Denver, Colo.
July 22 (letter of notification) 1,800 shares of preferred stock. **Price**—$25 per share. **Proceeds**—For investment in real estate, chattel property, loans, etc. **Office**—1504 Ivanhoe St., Denver, Colo. **Underwriter**—None.

● Republic Uranium Corp., Moab, Utah (7/30)
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.

★ San Fernando Valley Uranium, Inc.
July 16 (letter of notification) 44,185 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining operations. **Office**—308 Fremont St., Las Vegas, Nev. **Underwriter**—None.

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.

★ Shasta Water Co., San Francisco, Calif.
July 15 (letter of notification) 22,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Davidson & 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.

★ Southern California Edison Co. (8/18)
July 27 filed $30,000,000 of first and refunding mortgage bonds, series F, due 1979. **Proceeds**—To retire $6,000,000 of short-term loans and to finance 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**—Tentatively scheduled to be received on Aug. 18.

★ Southern Colorado Power Co. (8/11)
July 21 filed 30,000 shares of 4.72% cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For payment of obligations and bank loans incurred for construction. **Underwriters**—Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Boettcher & Co.; Bosworth, Sullivan & Co., Inc.; William R. Staats & Co.; Hutchinson & Co.; and Rauscher, Pierce & Co., Inc.

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.

● Sulphur Exploration Co., Houston, Texas (8/3)
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.

● Supermarket Merchandisers of America, Inc. (8/16)
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. **Offering**—May be made same time in September.

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.

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.

★ Union Life and Casualty Agencies, Inc.
July 20 (letter of notification) 50,000 shares of common stock (par $1) and 1,000 shares of 6% cumulative preferred stock (par $100). **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● United Benefit Fire Insurance Co., Omaha, Neb.
June 14 (letter of notification) 25,000 shares of common stock (par $7) being offered first to stockholders of record July 1, 1954 on the basis of one new share for each two shares held; rights to expire on Aug. 10. **Price**—$10 per share. **Proceeds**—To increase capital and surplus. **Office**—2565 St. Mary's Ave., Omaha, Neb. **Underwriter**—Stewart, Smith & Co., Inc., New York, N. Y.

★ United Funds Canada Ltd., Toronto, Canada (8/9)
July 16 filed 2,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment (initially expected to be $12.50 per share). **Proceeds** — For investment. **Underwriters**—Glore, Forgan & Co. and Francis I. du Pont & Co., both of New York.

United Public Markets, Inc.
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. **Offering**—Expected early in August.

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. **Office** — 2540 N. Third St., Milwaukee, Wis.

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.

★ Valentine Oil Co., Omaha, Neb.
July 16 (letter of notification) 10,000 shares of common stock (par $1) to be issued as bonus to purchasers of company's registered offering on basis of one share for each registered share purchased. **Office**—700 First National Bank Bldg., Omaha, Neb. **Underwriter**—None.

★ Victoreen Instrument Co.
July 19 (letter of notification) 20,500 shares of common stock (par $1). **Price**—At market (estimated at about $6.37½ per share). **Proceeds**—To John A. Victoreen, the selling stockholder. **Office**—3800 Perkins Ave., Cleveland, O. **Underwriter**—None.

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.

● **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. Statement withdrawn.

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 Industries, Inc., Philadelphia, Pa.**
July 26 (letter of notification) 99,650 shares of class A common stock (par $3) and 9,965 shares of class B common stock (par one cent) in units of 100 shares of class A and 10 shares of class B stock. **Price**—$300.10 per unit. **Proceeds**—For working capital, etc. **Office**—4627 Locust St., Philadelphia, Pa. **Underwriter**—None.

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).

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.

★ **Consolidated Uranium Mines, Inc.**
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. **Underwriter** — May be Tellier & Co., Jersey City, N. J.

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.

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); Morgan Stanley & Co. **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.

★ **Kimberly-Clark Corp.**
July 21 it was announced stockholders will vote Aug. 17 on increasing the authorized common stock from 6,000,000 shares (no par value) to 12,000,000 shares (par $5), two new shares to be issued in exchange for each no par share now held, and to provide additional capital shares for future financing. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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.

★ **Long Island Trust Co.**
July 27 the offering to stockholders of record July 20 of 11,500 additional shares of capital stock (par $10) on a pro rata basis was approved; rights will expire Aug. 12. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Cyrus J. Lawrence Securities Corp., New York.

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, Woods & 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.

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.**
July 28 it was reported that company is contemplating the issuance and sale of $52,000,000 in new bonds. **Proceeds**—For refunding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. **Bids**—Expected to be received in September.

● **Northern States Power Co. (Minn.) (9/28)**
July 2 it was announced company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1964 on or about Sept. 28. **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,

Continued on page 34

Continued from page 33

Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (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.

★ Southern Bell Telephone & Telegraph Co. (8/25)
July 14, F. J. Turner, President, announced that the company plans to issue and sell $55,000,000 of 35-year debentures due Sept. 1, 1989. **Proceeds**—To redeem $30,000,000 of 3¾% debentures due 1977 in October, and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—Expected to be received on Aug. 25.

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. **Underwiters**—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.

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.

★ Wisconsin Power & Light Co.
July 26 it was announced management is planning issuance and sale of $18,000,000 first mortgage bonds due 1984. **Proceeds**—To redeem $8,000,000 4% first mortgage bonds sold last year and $10,000,000 for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers, Bear, Stearns & Co., Reynolds & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected early in October.

With McAndrew Co.
(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Calif.—John W. Hendricks has been added to the staff of McAndrew & Co., Inc., Russ Building.

With Paine, Webber
(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Joseph Komar, Jr., has become connected with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Blyth & Co., Inc.

Joins Waddell & Reed
(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Louis Z. Swygert, Jr., is now associated with Waddell & Reed, Inc., 209 South La Salle Street. He was formerly with Harris Trust & Savings Bank.

With Metropolitan St. Louis
(Special to THE FINANCIAL CHRONICLE)
JACKSONVILLE, Ill. — George J. Carpenter has become associated with Metropolitan St. Louis Co.

Blair, Rollins Adds
(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Walter P. Mularski, Jr., is now connected with Blair, Rollins & Co., Incorporated, 50 State Street.

Two Join Draper, Sears
(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Paul Mah and Frederick B. Sheer have become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. Both were formerly with Keller & Co.

Mitchum, Tully Adds
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif. — Louis W. O'Bryan has been added to the staff of Mitchum, Tully & Co., 650 South Spring Street.

Joins Shearson, Hammill
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Monroe E. Prell has become connected with Shearson, Hammill & Co., 520 S. Grand Avenue. He was formerly with Paine, Webber, Jackson & Curtis.

With Samuel B. Franklin
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif. — Bernard B. Franklin has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

D. D. Weston Opens
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Daniel D. Weston is engaging in a securities business from offices at 1191 North Bundy Drive. He was formerly with Investors Realty Fund, Inc.

Our Reporter's Report

U. S. Steel Corp.'s public offering of $225,000,000 of new one-to-10 year serial debentures, brought to market today, presumably was just what the doctor ordered from the standpoint of both investors and underwriters.

Certainly there seemed no room for complaint from either side considering the reception accorded this huge piece of new financing.

And it was evident that big names were interested in this choice paper, since it is understood that fully 70% of the offering was handled through group account.

Yields ranged from 1.30% on the Aug. 1, 1955 maturity out to 2.65% on the series due in 1963 and 1964. The debentures are priced at par and are redeemable at prices ranging from 100.20 to 102.

It is the first time in some 25 years that debt securities of the big steel producer have been available to investors so portfolio managers for institutional buyers were prepared to take on sizable allotments.

Preliminary demand indicated that orders would be well in excess of the total offered. The longer maturities appeared certain of heavy oversubscription. A few of the short issues lagged slightly, but were expected to pick up steam without any real delay.

Through the Barrier

Top names among corporate borrowers appear to be the first to benefit by the recent actions of the Federal Reserve Board in moving to confirm soft money as an inducement to industry to move ahead.

For a long spell, through the short-lived stretch of anti-inflationary activities of the Federal, large investors would not look at securities carrying a yield of less than 3% no matter how impressive the name.

But once more we seem to have pushed through that barrier and again offerings with yields below that level are appearing with greater frequency.

Consolidated Gas Electric Light & Power Co. of Baltimore, and Boston Edison Co., issues brought out recently to yield 2.97% and 2.94% respectively, seem to have moved out.

Persistence Pays Off

For a spell, only a few weeks or months back, many banking firms were being forced to "carry" substantial portions of new issues where the yield fell short of that demanded by investors.

It looked for a while as though they would have to go on "banking" these deals indefinitely. But the Reserve's moves changed the picture and today it appears that shelves of underwriters and dealers are just about clear of corporate inventory of any consequence.

This week, however, it developed that Consolidated Natural Gas Co.'s $25,000,000 debentures reoffered on a 2.95% basis, were inclined to be slow.

August Doldrums

The new issue market now turns into the midsummer doldrums, although the over-all August calendar is a bit healthier than in recent years.

The first week, however, promises to be slow for which many firms, with vacations curtailing staffs severely, probably are thankful.

Unless some negotiated deals are suddenly spruced up for quick offering, it now appears that the new week will bring out only two sizable offerings, both via competitive bidding.

On Monday Northern Illinois Gas Co. is slated to open bids for a maximum of 272,255 shares of common stock. And on Tuesday Mountain States Telephone & Telegraph Co. will look over bids for its $20,000,000 of new debentures.

Joins Barclay Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Louis S. Bressler is now connected with Barclay Investment Co., 39 South La Salle Street.

Benson Forms Own Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Eugene W. Benson has formed Benson Investment and Development Co. with offices in the Denver National Bank Building to engage in the securities business. He was formerly with E. I. Shelley & Co.

Three With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Theodore E. Rassieur, Jr., Albert J. Schenkel and Elmer W. Wagner have become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Wagner was previously with Mercantile Trust Company.

With H. G. Kuch

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Harry J. Lundy is with H. G. Kuch & Company of Philadelphia.

Joins Green Erb Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Vincent H. Fiebig is now affiliated with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

REDEMPTION NOTICE

BENEFICIAL LOAN CORPORATION
Beneficial Building
Wilmington, Delaware

REDEMPTION

As described in detail in the Notice of Redemption mailed to the holders of its Cumulative Preferred Stock $3.25 Dividend Series of 1946, Beneficial Loan Corporation is redeeming such Preferred Stock on August 16, 1954 at the redemption price of $105.4153 per share, which includes accrued dividends from July 1, 1954 to the redemption date at the office of Bankers Trust Company, 46 Wall Street, New York 15, N. Y.

Each share of such Preferred Stock may be converted into 2.92 shares of Common Stock at the option of the holders prior to 3:30 P.M. Eastern Daylight Savings Time on August 6, 1954.

WILLIAM E. THOMPSON, *Secretary*
Dated: July 15, 1954

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

196TH COMMON DIVIDEND

A regular dividend of Eighty-five Cents (85¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1954, to stockholders of record at the close of business August 10, 1954. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*
July 27, 1954

Allied Chemical

Quarterly dividend No. 134 of Seventy-five Cents ($.75) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable September 10, 1954 to stockholders of record at the close of business August 13, 1954.

W. C. KING, *Secretary*
July 27, 1954.

BENEFICIAL LOAN CORPORATION
DIVIDEND NOTICE

Dividend has been declared by the Board of Directors, as follows:

COMMON STOCK
Quarterly Dividend of $.60 per share

The dividend is payable September 30, 1954 to stockholders of record at close of business September 15, 1954.

William E. Thompson
July 14, 1954 *Secretary*

OVER 800 OFFICES — Beneficial Loan SYSTEM — IN U. S. AND CANADA

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY
Common Stock Dividend

A regular quarterly dividend of forty-one cents ($.41) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable September 10, 1954, to the holders of record at the close of business August 9, 1954.

W. J. ROSE, Secretary
July 28, 1954.

BRILLO
MANUFACTURING COMPANY, INC.
Dividend No. 98

A Dividend No. 98 of Forty Cents ($.40) on the Common Stock has been declared, payable October 1, 1954, to stockholders of record September 15, 1954.

M. B. LOEB, President
Brooklyn, N. Y.

Dennison
MANUFACTURING COMPANY
Framingham, Mass.

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Sept. 3, 1954, to stockholders of record Aug. 9, 1954.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Sept. 3, 1954, to stockholders of record Aug. 9, 1954.

R. N. Wallis, *Treasurer*

110TH YEAR

HOOKER ELECTROCHEMICAL COMPANY

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 21, 1954 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable September 24, 1954 to stockholders of record as of the close of business September 2, 1954.

Cumulative Second Preferred Stock, Series B Dividend

The Board of Directors of Hooker Electrochemical Company on July 21, 1954 declared a quarterly dividend of $1.05 per share on its Cumulative Second Preferred Stock, Series B, payable September 24, 1954 to stockholders of record as of the close of business September 2, 1954.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 21, 1954 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable August 26, 1954 to stockholders of record as of the close of business August 2, 1954.

ANSLEY WILCOX 2nd
Secretary

—From the Salt of the Earth— HOOKER CHEMICALS

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.
Two Rector Street, New York 6, N. Y.
COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held July 23, 1954, declared a dividend of 15 cents per share on the Common Stock for payment September 10, 1954 to the stockholders of record August 10, 1954.

H. W. BALGOOYEN,
Vice President and Secretary.
July 23, 1954.

EATON MANUFACTURING COMPANY
CLEVELAND 10, OHIO
DIVIDEND No. 131

On July 23, 1954, the Board of Directors declared a dividend of fifty cents (50c) per share on the common shares of the Company, payable August 25, 1954, to shareholders of record at the close of business August 5, 1954.

H. C. STUESSY, *Secretary*

Manufacturing plants in Ohio (five), Michigan (five), Kenosha, Wis., Lackawanna, N. Y., and London, Ont.

EATON MANUFACTURING COMPANY
CLEVELAND 10, OHIO
EXTRA (DIVIDEND 132)

On July 23, 1954, the Board of Directors declared a dividend of fifty cents (50c) per share on the common shares of the Company, payable August 25, 1954, to shareholders of record at the close of business August 5, 1954.

H. C. STUESSY, *Secretary*

Manufacturing plants in Ohio (five), Michigan (five), Kenosha, Wis., Lackawanna, N. Y., and London, Ont.

O'okiep Copper Company Limited
Dividend No. 31

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable August 31, 1954.

The Directors authorized the distribution of the said dividend on September 10, 1954 to the holders of record at the close of business on September 3, 1954 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.40 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to August 31, 1954. Union of South Africa non-resident shareholders tax at the rate of 7.2% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*
New York, N. Y., July 28, 1954.

MERCK & CO., INC.
RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on October 1, 1954 to stockholders of record at the close of business September 10, 1954.

JOHN H. GAGE,
July 27, 1954 *Treasurer*

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable September 15, 1954, to stockholders of record at the close of business August 25, 1954.

E. F. VANDERSTUCKEN, JR., *Secretary.*

United States Pipe and Foundry Company
New York, N. Y., July 22, 1954

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of this Company, payable September 20, 1954, to stockholders of record on August 30, 1954.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

SOCONY-VACUUM OIL COMPANY
INCORPORATED

Dividend No. 174 — July 27, 1954

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable September 10, 1954, to stockholders of record at the close of business August 6, 1954.

W. D. BICKHAM, *Secretary*

Southern Railway Company
THE SOUTHERN SERVES THE SOUTH

DIVIDEND NOTICE
New York, July 27, 1954.

A dividend of sixty-two and one-half cents (62½¢) per share on 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1953, payable on September 15, 1954, to stockholders of record at the close of business on August 13, 1954.

J. J. MAHER, *Secretary*

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on September 1, 1954, to stockholders of record on August 11, 1954. The transfer books will not close.

THOS. A. CLARK
July 22, 1954 *Treasurer*

THE TEXAS COMPANY
208th
Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1954, to stockholders of record at the close of business on August 6, 1954. The stock transfer books will remain open.

ROBERT FISHER
July 23, 1954 *Treasurer*

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congress has been putting on a practical demonstration these last couple of weeks of the political fact that it is almost as difficult to prevent a government-in-business enterprise from growing as it is to cutback such an enterprise.

The most dramatic demonstration, of course, was the filibuster on the Atomic Energy Act. The first filibuster was over the proposal of the President to allow private utilities, rather than the Tennessee Valley Authority, to furnish an additional supply of electric energy needed by the Atomic Energy Commission.

To allow private enterprise to do a job instead of the government is, in the view of Senator Albert Gore (D., Tenn.) and other would-be public power barons, "taking something away" from the TVA.

When the Atomic Energy Act of 1946 first legalized, for the overwhelming reason of military security, the government monopoly of the atom, far-seeing men expressed the fear at the time that perhaps once given this monopoly, the government never would give it up. The filibuster against permission for the private development of power even with shackles demonstrates the determination of the statists in Congress to hold on to that monopoly, and they will not give up with one defeat.

Fights Surrender of Government Enterprises

Another demonstration of the virility of government enterprise has also been given, although less dramatic than the filibuster over the modification of the Atomic Energy Act. For several months, a House Government Operations subcommittee under the Chairmanship of Rep. (Mrs.) Cecil Harden of Indiana, has been conducting an exhaustive inquiry of government-in-business enterprises.

Although getting few headlines, Mrs. Harden's work has been turning up example after example of government business activities that scarcely seem necessary and appear to be costly. She conducted hearings on that subject from June 1953 into March 1954.

As a consequence, various bills were offered intended to provide effective means for bringing about the curtailment of governmental business activities. When Administration witnesses were asked to testify on these bills, they unanimously came up with two conclusions:

(1) None of the bills was any good.

(2) Leave the job to us, don't write a law.

This is an old familiar refrain, for on any proposal which proposes to put any curb upon any official's discretion, the usual response is that the particular method of any proposal is not suitable, and that left to officials' own unfettered discretion, the job can be done better.

Writes a Private Enterprise Declaration

So the Government Operations Committee reported a proposed "Termination of Federal Commercial Activities Act" which amounts only to a pious entreaty to the bureaucrats to get themselves out of business. The Secretary of Commerce is delegated to hear complaints of government in business. This, if the Secretary of Commerce finds the complaint justified, he may "suggest" to the offending agency, but he may not command it, to give up the commercial enterprise.

How this would work would be this way: The Secretary would recommend, in hypothetical example, that the Navy give up paint making. The Navy in effect would respond, "Nuts, only we know how to make the paint we want and we aren't going to give up making it so some one can sell it to us at a profit."

This attitude was assumed by some of the highest officials of the Administration despite the President's most unequivocal campaign utterances that he did not believe that the government should do what the people can do for themselves.

Revive Second Mortgage

At the request of Ezra T. Benson, the Secretary of Agriculture, Congress is putting the Farmers Home Administration, meaning through the Department of Agriculture, the Federal Treasury, back into the second mortgage business.

Even the Democrats closed out the second mortgage business, when the authority of the Land Bank Commissioner to make second mortgage loans was terminated in 1947, although a Democrat is attempting to revive that class of loan also. He is Senator Clint Anderson (D., N. C.).

Secretary Benson, in asking permission to raise rates of interest on both direct and "insured" farm-FHA loans, asked for the authority to make second mortgage loans. His excuse for this curious financial expedient was that farm-FHA, in making loans to farmers, now has to refinance any existing loan when it wants to lend enough money to set up a farmer in business.

Farm-FHA's idea of an adequate loan is one which provides the borrower with 100% of the fair farm value of the security.

Under another section of this agency's operations, it provides what works out to be a temporary form of "insurance" of a mortgage loan, in order to avoid temporarily the showing of government having to lay out cash. By agreement with the lender, these loans later come back to the government.

"Insured" loans run to only nine-tenths the value of the farm. Secretary Benson wanted this also raised to 100% of collateral, but Congress refused this little addition to government-in-business.

Pegs Foreign Aid Cost

Rep. Daniel A. Reed of New York, the venerable Chairman of the Ways and Means Committee, has totaled up the cost of foreign aid, War II and since, in terms of grants and cash expenditures. They are official figures, compiled from the statistical appendixes of the Foreign Transactions of the U. S., of the Commerce Department, and from other sources.

From July 1, 1940, according to Mr. Reed, through 1945, or the period of War II, the United States provided $59,869,639,312 of grants, credits, and other outlays.

From fiscal 1946 through May 15, 1954, the United States provided almost as much foreign aid as during War II, or $59,432,358,188.

This amounts to an aggregate of $119,301,997,500 from July 1, 1940, through May 15, 1954.

However, said the Chairman, reverse lend-lease, cash repayments on loans and grants, etc., plus cash received for sale abroad of U. S. surplus equipment, aggregated during this period, $10,261,625,746.

Subtracting the credits from the gross outlay gives a net cost of foreign aid of all kinds of $109,040,371,754.

However, at simple interest which is being paid on the debt of the United States, the interest cost since the grants or gifts of foreign aid were made has amounted to $18,606,524,210, Mr. Reed reported. This would bring the foreign aid cost to American taxpayers to $127,646,895,964.

To this Mr. Reed would add $3,385,000,000, the U. S. investment in the World Bank and Monetary Fund. This makes the aggregate of world saving from July 1, 1940, through May 15, 1954, costing $131,031,895,964.

In other words, the cost of foreign do-gooding in 14 years accounts for almost 50% of the present Federal debt.

Provides Hope for Confused Times

Foreign problems may appear oppressingly difficult and the outlook dreary. There are perhaps a dozen members of Congress, however, who do not let their pessimism hold them down and deter them from looking for ways out. Among them are at least two, Rep. Charles R. Howell of New Jersey and Senator Herbert H. Lehman of New York, both Democrats.

These two gentlemen have jointly introduced a bill to establish a National Arts Commission, and thereby aid in the promotion of the fine arts. The usefulness of this objective is outlined in the declaration of policy of the proposed bill, which is not merely one of the thousands of bills introduced and not acted upon. Already two days of hearings have been given to this subject before the House Labor Committee. In the declaration of policy, Congress would expressly find:

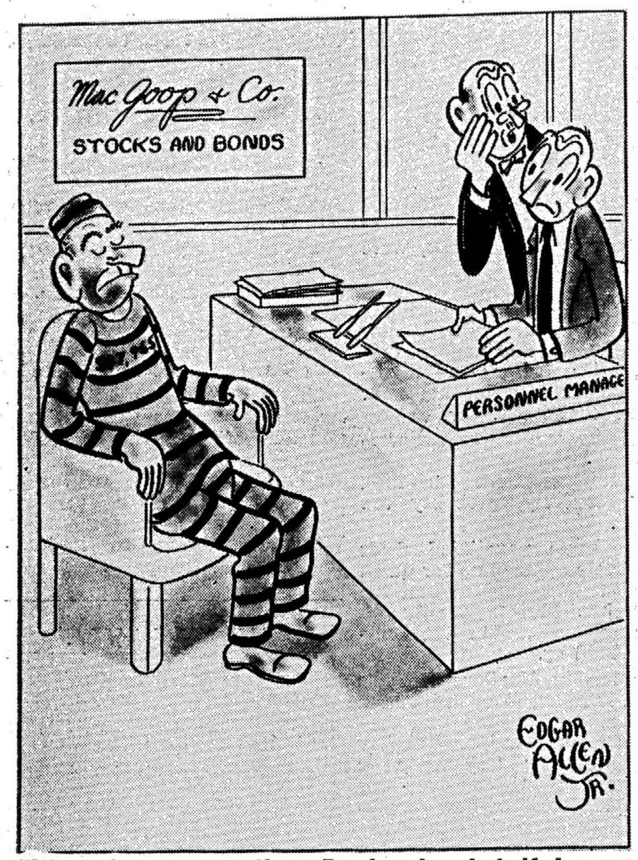
(1) That "great contributions" can and ARE being made by the fine arts to the morale and welfare of the Nation;

(2) That the City of Washington since its establishment never had had a suitable theatre and music center commensurate with its position as the capital of a nation now the leader of the free nations (a grevious oversight which by an insignificant stretching of the budget would be remedied by the bill). So with a Washington "Moscow state opera," the U. S. would be fit to lead peace-loving nations.

(3) Congress recognizes that man cannot live by bread alone, and that education in the humanities is essential to political wisdom, and that in the world of today if we are going to face the problems of free men and attempt to add stature to free men and free institutions the relevance of the humanities to the task "is unquestionable" for "it is the humanities more than science or statistics which provides the answer to Communism."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"It's only a suggestion, Pembrooke, but if I were you I'd check this applicant's background rather thoroughly!"

Business Man's Bookshelf

Mortgage Lending Experience in Agriculture—Lawrence A. Jones and David Durand—Princeton University Press, Princeton, N. J. (cloth), $5.00.

Soviet National Income and Products in 1928—Oleg Hoeffding—Columbia University Press, New York 27, N. Y., $3.75.

La Salle St. Women Party August 7th

CHICAGO, Ill.—A "Career Party" will be held for members of La Salle Street Women and their guests at the Lake Shore Club on Saturday, Aug. 7. Former members of the organization have been invited to attend and participate in the games and planned entertainment.

President of the Club is Miss Joan Richardson of Glore, Forgan & Co.

E. F. Hutton Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Stuart W. Thomson has been added to the staff of E. F. Hutton & Company, 160 Montgomery St.

Cruttenden Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—John C. Shanklin has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Francoeur & Co.