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EDITORIAL

As We See It

More than ordinary interest attaches to President Eisenhower's recent *apologia pro vita sua* in the realm of business cycles. To a great many, doubtless, it will appear as his bid to eliminate from the political scene one of the issues which the opposition had been planning to use with great effect in the forthcoming election campaigns. Such, as a matter of fact, it is without question intended to be. His success, or lack of it, will in all probability have a good deal to do with the outcome of the voting this fall.

But political questions to one side, it seems to us that there is a deep-seated infirmity in the type of reasoning here employed by the President—or perhaps we should say a serious lack of completeness. Such shortcomings are, moreover, all too often overlooked. It is well, accordingly, that we study rather closely and thoughtfully what the President has to say.

First, let him tell his own story: His argument turns largely on the degree of economic activity (including employment and unemployment) now obtaining as compared with last year, the most active year, economically speaking, we have ever had, and with 1952, the last calendar 12-month period in which the Democratic party was in full control in Washington. Additionally the current trend is also a matter of satisfaction to the President. He first notes that the Federal Reserve Index of Industrial Production is running something more than 8% below last year, but quickly notes that this index covers but a part of the economy as a whole. Turning, then, to more comprehensive indicators of the state of business, the President notes that what has become known as GNP is

Continued on page 20

The Crusade Against Sound Money

By HERBERT M. BRATTER

Mr. Bratter, after giving the history of the movement in Congress to combat the "tight money" policy resulting from the accord of the Federal Reserve Board and the Treasury, under which interest rates were permitted to rise and government bonds go below par value, reviews the publication entitled, "The Hard Money Crusade," in which a cheap money policy is advocated. Offers refutation of a number of charges against bankers made in this book. Says statements made are calculated to set off big and small banks, as well as borrowers and lenders into antagonistic classes. Notes authors of "The Hard Money Crusade" are advocates of a controlled economy, and refers to Prof. Wiegand's article in the "Chronicle" (April 18, 1954) on "Full Employment and Its Dangers."

On May 11, 1953, the offices of Senator James E. Murray (D., Mont.) and Representative Wright Patman (D., Tex.) simultaneously issued a three-page press statement in the names of the aforementioned and 18 other Democratic Senators and Congressmen. The release bore the title, "Crusade Launched in Both Houses Against Interest Rate Boosts." Incorporated in the release was the text of the resolution that day introduced by the 20 legislators in Senate and House, reading:

Herbert M. Bratter

"Resolved by the Senate (the House of Represenatives concurring) that the Federal Reserve Board and the Open Market Committee of the Federal Reserve System should support the price of United States Government securities at par, but not exceeding par, as was done before the so-called Treasury-Federal Reserve accord which was announced March 4, 1951." The dictionary defines a "crusade" as a "warlike enterprise." The warlike enterprise of May 11,

Continued on page 20

After Geneva

By MELCHIOR PALYI

Dr. Palyi discusses French domestic and foreign political and economic problems. Finds France must hold on to her African possessions in order to maintain her volume of exports, and hints France will lose all Indo-China. Says U. S. foreign policy has a "new look," and holds collective security plans for Southeast Asia lack psychological, political and economic foundations. Concludes our position in the Far East has been weakened while that of Red China has been strengthened.

Mendes-France

He is the national hero—as Daladier was after Munich. Back from Geneva, the *assemblee nationale* gave him an ovation as no premier has received since De Gaulle, the Liberator. (Incidentally, at his mentioning of Britain, all Parties from the extreme left to the extreme right gave a resounding applause, but not a single handclap at the mention of the U. S. Which is the more remarkable since it was the Americans who offered to come the the rescue of the French expeditionary force, and the British who vetoed the offer.)

Dr. Melchior Palyi

He became the Strong Man of his country by declaring, in effect, its military bankruptcy: giving up the pretense of being a Great Power. His popularity is not due, of course, to this "peace with honor," which few consider as honorable, but to the fact that he did what his country wanted: to liquidate a war that his predecessors let fritter away unnecessarily by indecision, inefficiency, corruption, and lack of military leadership.

France's, as all Europe's, satisfaction is greatly enhanced by what appears to be a resounding victory over—the United States. The French feel, and say so, that by fighting in Indo-China they were merely pulling America's chestnuts out of the fire. All of which is sheer escapism. The French public is more interested in the wheat price, in pensions, jobs and subsidies, than

Continued on page 18

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Fairchild Camera & Instrument Co. — Bradbury K. Thurlow, Partner, Talmage & Co., New York City. (Page 2)

Eastman Kodak Company—Richard P. Windisch, General Partner, W. E. Burnet & Co., New York City. (Page 2)

BRADBURY K. THURLOW
Partner, Talmage & Co.,
New York City
Members New York Stock Exchange
Associate Member American Stock Exchange

Fairchild Camera and Instrument Co.

It is rarely these days that one is able to buy a stock which has the kind of glamour found in IBM and General Electric for less than ten times its current earnings. Fairchild Camera is still selling for less than 30, should earn close to $3.50 a share this year, and enjoys an outlook as romantic as any company in American industry.

B. K. Thurlow

The solid backbone of the company's business is the manufacture of cameras and optical devices used in aerial photography and other military purposes of a classified nature. The company is the oldest in the field and enjoys a position well-entrenched in leadership. At one time this military business had to be regarded as an uncertain item, but it is now one of the most reliable (and fast growing) sources of income any company could enjoy and will probably continue to be so for many years to come.

The glamour in the Fairchild picture comes from the company's successful entry into the field of automation. Its Scan-a-graver device enables a printer to prepare a high quality cut from a photograph in only a few minutes with a machine which requires no skilled labor, uses inexpensive plastic mats, and rents for around $250 a month. This device replaces an investment of up to $100,000 in conventional photo-engraving equipment, a time requirement of several hours to produce a plate suitable for printing, and one or more highly paid skilled operators.

This spring, the company exhibited a process whereby Scan-a-graver pictures could be printed in color, and shortly afterwards, it announced a new product, Scan-a-sizer, a refinement of the original machine, permitting direct, instantaneous enlargement or reduction of original pictures. The eventual market for the two machines could approach 10,000 installations.

In terms of potential earnings these projections produce fantastic figures. With 1,500 machines in production, earnings from rentals and sales of plastic materials alone should approximate $1.30 a share after taxes and should increase at a rate substantially greater than $1 per additional 1,000 machines rented. At present over 1,200 machines are in use. Plastic materials sales (the high profit item on these machines) are at new highs per machine as well as on an overall basis. Production of the Scan-a-sizer is scheduled to begin shortly, and I understand that revenues from these items, which have been rising somewhat slowly to date, may soon begin to move ahead more rapidly in response to insistent demand.

To compare Fairchild to IBM at this state of its development is obviously premature, but with only 458,000 shares outstanding it seems clear that revenues from potential Scan-a-graver and Scan-a-sizer rentals and sales of plastic materials to go with these machines, hold promise of consistent and sizable growth for many years to come. With present earning power at $3.50 a share, it would appear that this growth potential is not being reflected in the price of the stock.

There seems to be a fair amount of stock available around current prices, coming apparently from holders who have been waiting for earning power to develop and who are discouraged that it had taken so long to appear. Now that the growth has become evident, however (six months earnings this year $1.65 against $0.63 in 1953) and there are some signs that the management is finally trying to convert ideas into tangible profits it would not be surprising to see the stock rise to a new level more consistent with the improved (and improving) earnings outlook.

Last December when I was asked to contribute to this forum, I chose this same stock. Since then it has risen approximately 50% in price and some doubt may be cast on the validity of further recommendations made at these levels. In my opinion, however, this rise in price reflects merely the beginning of investor awareness as to the tremendous potential earning power this company could show. In 1951 when present products were still in the "bread board" stage, the stock sold at 35½ (adjusted for subsequent stock dividends). Now the future looks even brighter and today's buyer can easily justify present prices on the basis of current operations. The stock is closely held and, in my opinion, could quickly command the premium price-earnings ratio to which it is entitled, in line with other companies engaged in similar pursuits. Early developments of certain projects now under discussion should contribute to further recognition of this company's unusual outlook within the next few months. This stock is listed on the American Stock Exchange. Current price is 30.

RICHARD P. WINDISCH
General Partner, W. E. Burnet & Co.,
New York City
Members, New York Stock Exchange

Eastman Kodak Company

The fine investment rating which the stock of Eastman Kodak deserves is not fully reflected in its present market price. This seems to be largely due to the lack of information about the wage dividend policy and lack of understanding of Kodak's relationship to the electronics industry.

R. P. Windisch

The wage dividend instead of being a detriment to stockholders should be regarded as a definite contributor to Eastman's strength and earning power because of the number of employees engaged in producing a large volume of precisely standardized products. Due to the nature of photography a high degree of quality and dependability are required. Therefore, an interest in the company's profits by all of its employees is essential in minimizing the volume of rejected materials which do not meet rigid specifications.

The company has recently gained a new market for motion-picture film through television but it has lost almost an equivalent one through the shrinkage of the motion-picture industry. Having more experience than any other company in the manufacture of precision film, Eastman management is keenly aware of developments in the magnetic tape and polyester film line and is doing active research in electronics as well as in polyesters.

The reasons I like Eastman at this particular time are briefly as follows:

(a) It is a leader in the field of color photography, which is young technologically. Further industrial applications, particularly in the field of duplicating and publishing, are very promising.

(b) It is one of America's greatest international companies. Kodak manufactures in five countries and sells in a hundred.

(c) Fnancially the company is very strong and has no debt.

(d) It ranks high for quality products.

(e) In merchandising and advertising it is a world leader.

(f) Its profit margins are protected by a rare "know how" and by valuable trade names.

(g) Because of its long established wage dividend and other industrial relations policies, it has excellent employee relations.

(h) It is aggressive in adapting its skill in chemistry and plastics to other than the photographic field.

In "Kodak" Eastman owns one of the greatest trade names of all times. No other American articles of commerce are so well known around the world, unless it be those of the Singer Manufacturing Company or of the Coca Cola Company.

In selling a world-consumed article, Eastman is more fortunate than Singer in that its products in the main are immediately consumed and repeatedly reordered, and more fortunate than Coca Cola in that its unit sales are more substantial and the "know how" used in their manufacturing requires a highly developed skill and one which cannot be easily substituted. With a peaceful world once again before us, the opportunities for world-wide sale of American technological products have seldom been greater. Rising standards of living are always followed by a greater use of the arts and by more recreation. It would, therefore, seem that the demand for photographic products will rise in all countries.

Eastman possesses a peculiar "know how" which is most difficult to imitate. Its products gained world-wide demand not so much through their originality and uniqueness as do most commercial products but through their dependability and reliable performance. It takes a highly trained organization which is disciplined for product purity and

Continued on page 38

What's Wrong With The Stock Market?

By L. B. SCHWINN*
L. B. Schwinn & Co., Cleveland, Ohio
Members, Midwest Stock Exchange

Midwestern securities dealer reviews recent developments in common stock investment, among which are the increase in common stock holdings of trust and pension funds and the liberalization of state laws regarding institutional holdings of common stock. Says institutionalization of the stock market is not yet in sight. Refers to increasing purchase of common stocks by women, and holds broadening of the field of common stock investment constitutes an indemnity bond against a drop in the general market. Stresses confidence as a prerequisite to investment.

Though under false pretenses, I have accepted this opportunity to discuss the stock market for several reasons. To begin with, stocks have become important to virtually every American citizen, be he wealthy capitalist or lowly laborer. You may not own a single share, but you are indigent indeed if you do not have an insurance policy of some description, a savings account or a participation in a pension fund. Any or all of these investments may be supported by common stocks, as my subsequent remarks will reveal. For one's own personal benefit, all of us should become acquainted with stocks, regardless of individual investment activity.

Leslie B. Schwinn

It also pleased me to come here today because the importance of common stocks in maintaining the free enterprise system and in turn democracy cannot be stressed too often. The more people there are who properly and intelligently own common stocks, the more advocates there will be of freedom in industry and politics. The size of an investment does not limit the pride of an investor. Participation ordinarily means comprehension. When the opportunities and rewards of our American way of life are properly understood and evaluated, an American patriot has either been born or reactivated.

It is difficult to believe the remarkable stock distributions of the Sears, Roebuck pension plan have created any Communists among the fund's beneficiaries. Employees who earned $50 to $100 a week during several decades of service have retired on estates ranging from $90,000 to $180,000. Rewards of the capitalistic system need not be that dramatic to convey a conception of its merits. Nor is there any desire on my part to compare free enterprise to a lottery or game of roulette. Because the Sears, Roebuck employees hit the Jack Pot is no assurance others will be so fortunate.

*An address by Mr. Schwinn before The Cleveland Engineering Society, Cleveland, Ohio.

The moral to be derived is that there is a place for the small investor in the ownership of American business. He cannot only participate to a modest degree, but if he has the forbearance to save and invest systematically, he may achieve fantastic success. The small investor learns to appreciate that we Americans enjoy two great blessings: a dynamic economy and equality of opportunity.

And, finally, your invitation was accepted with alacrity because all investment dealers welcome any chance to dispel the illusions and misunderstandings about our business and its merchandise. In Wall Street there is a saying, "Stocks thrive on romance and wither on statistics." For the seasoned, experienced operator there is much wisdom in this saying. But too frequently there is a tendency to exaggerate the romance and ignore the statistics. It might be better for most of us to adhere to the admonitions of that television program which insists on, "Just the facts, mam."

Instead, so many investors search incessantly for an easy route to success. A tip, a hunch, a formula, anything is preferable to sound judgment and informed opinion. There is a story, well known in my business, to illustrate that point.

A hardened, sophisticated broker was walking through the financial district in New York with a younger, more credulous associate, who firmly believed trends on the exchange could be forecast by keeping charts depicting price action and volume of trading. The skeptical broker pointed out a man across the street and remarked, "There is a chart reader I profoundly admire. He's quitting Wall Street with a small fortune."

This aroused the immediate interest of the younger man who excitedly asked, "How did he do it? What system did he use?"

The reply was, "He started with a large fortune!"

Rationalizing the Stock Market

Unfortunately, events during the first half of this year have not made the task of rationalizing the stock market any easier. Most businessmen will tell you their business has grown steadily worse. In the face of this, the stock market has continually moved higher. On Feb. 24 the

Continued on page 26

INDEX

Articles and News Page

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Tools for Investment

By IRA U. COBLEIGH
Enterprise Economist

A brief inquiry into the present position of the machine tool industry, boring into the question of whether or not tool shares are now selling on too high a plane.

The machine tool industry is, by tradition, trundled out of the economic textbooks as the classic example of a cyclical industry. In fact, it has often been cited as the type of security to get out of first, at the earliest signs of a fading bull market, on the rather simple theory that machine tools perform their function as expanders of production in the earlier stages of a boom; and when slackening output occurs in the ensuing recession, machine tools are first and hardest hit.

Ira U. Cobleigh

Pretty as all this is in theory, the actual financial facts of the past 15 years have loused up the argument somewhat. In 1939 total machine tool sales were about $200 million. Within three years this figure was multiplied 6½ times to the war bulge in 1942—above $1.3 billion. Then when the postwar years 1949 and 1950 averaged around the $300 million level the classicists sat back and said "See, we told you this was feast and famine. Nobody—but nobody — should consider this field for long-term or permanent equity investment." Since 1950, however, the industry has showed quite surprisingly sturdy characteristics, building sales again over the billion mark for 1953, and this year looks like a field day for all the leaders.

Certainly, for example, shareholders in **Bullard** have had no occasion to repine since, within 18 months, they have seen their shares rise from 21 to 50, their dividend increase from $2 to $4; and the company never looked better than right now. I mention this as an example of market velocity, and also as proof that an equity heretofore tagged with the cyclical blemish can perform like an investment or at least semi-investment stock.

So we face the pleasing fact that in what has been tagged as a recession in the past 15 to 18 months—in a period when, by the book, machine tools should have sold off, they have in instances outperformed the market, and all of 'em have gone up. This is the best sort of practical proof that the business cycle has for many of them flattened out a lot.

Now we ask, was this a short run freak? Are not representative issues here now too high? What can improve them from here? Let's take a look.

Promising Future, Too

First of all, the price of labor has risen steadily in each year since 1940 and there is no reason to expect a down trend (except in isolated instances of distress—certain textiles, motors, coal mining, etc.). Hence, there is, quite logically, an unremitting demand for machine tools to offset the price of labor, by increasing the productivity of each hourly unit spent.

Secondly, you've heard a great deal about automation—machines where the labor factor is reduced almost to zero, or where one machine performs several processes at once. For example, the motor industry has a huge machine tool that can produce 130 cylinder blocks an hour, a saving of thousands of man-hours over the production methods of ten years ago. The Industrial Revolution started when men began to operate machines. The Age of Automation, which we now seem to be entering, is where the machines will operate themselves — machine tools, that is.

Thirdly, with backward countries becoming industrialized all over the world, and perhaps a vast American subsidy to friendly Asiatic countries in the offing, machine tool export could burgeon.

Fourthly, the new tax bill with its hopped up depreciation formula for equipment and machinery, should mean not only big orders for new tools, but a vast replacement of obsolete units. Half of our machine tools are 10 years old, or more so. Replacement demand alone might thus account for sales of $300-$500 million a year for several years to come.

Then what about the demands of our new industries like atomic energy, rockets and guided missiles, which are in their relative infancy? Big market in this area for machine tools surely. Unless our motor car, airplane, jet propulsion and electric machinery and appliance trades fade, machine tools will be in demand—not at wartime peak levels, of course, but somewhere above $900 million for this year and not less than $700 million next year. And on that kind of volume the entrenched leaders can make money and pay fat dividends, especially now that E. P. T. is a dead duck.

Imports and Unions

Some will carp that the foregoing field notes are too optimstic; that competition from abroad and the opposition of union labor at home will brake the progress of our machine tools. It is true that European, especially German, competition is at hand, but the big installations of machine tools are highly specialized and require technical and engineering service to be always at hand. So while inroads from foreign lands can snipe at some of the business around the edges, they seem unlikely to prove a major threat.

About the unions, they have intermittently opposed every advance of the machine from the days of the first power looms. But the record has shown that machines, with their vast increase in productivity, have landed us with the most prosperous and financially secure labor force in world history; and so long as union men get an appropriate slice of the expanded productivity which machines create, unions will accept the result. Besides, our total population is growing at a much faster rate than our labor force.

So in this capsuled comment we arrive at the view that the machine tools trade is more stable than at any time before, that earning power appears excellent, and, with many issues selling at from 6 to 10 times earnings, no gaudy market overpricing of these shares seems evident. **Van Norman** at 14⅝ earned $2.41 last year and pays $1 currently. **Ex-cell-O**, second largest in the field, looks substantial at 77½. It earned $7.05 last year and paid $2, plus stock. **National Acme** at 48 yields 7.3 on the $3.50 dividend. It's selling at eight times earnings. All these are listed NYSE and their balance sheets reveal high states of solvency, in each instance.

The Big One

If I had but one to pick, however, I'd wind up with the top one in size, prestige and diversity of operation — **Cincinnati Milling Machine Co.** This distinguished enterprise, founded in 1884, has shown remarkable growth—especially in the past five years, building its net sales from $33.2 million in 1949, to over $150 million in 1953. It now does 12½% of the entire machine tool industry business. It serves a wide list of customers in the milling, automotive, aircraft and metal working industries. It turns out grinding, milling, broaching and centerless lapping machines. It also produces cutting fluids, grinding wheels, lathes, drilling machines and hydraulic presses. It has large and expanding plants in England and Holland. In labor relations it's truly unique—in 70 years it's never lost a single day's production due to a strike!

The balance sheet of Cincinnati Milling is a banker's dream, with net working capital (after preferred stock) of over $40 a share. Nineteen fifty-three earnings of $12.76 per share amply support today's market price for the common, $80, and give plausibility to notions that the $4 dividend may be raised, and perhaps even a stock split may, in due course, be vouchsafed. Why not compare Cincinnati Milling (850,000 common shares outstanding) with other stocks in the same range? Which will, in your opinion, hit 150 first? This one, General Foods or Procter and Gamble?

So in an era when everybody is getting a yen to "do it yourself," and thousands upon thousands of home cellars are laced with lathes, drills, and buzz saws, everybody seems to be getting into machine tools. Perhaps investors should reconsider them as tools for investment.

The State of Trade and Industry

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

Little change was noted in total industrial production in the period ended on Wednesday of last week, but it was about 9% below the level of a year ago at this time.

An announcement by the Secretary of Commerce stated that the government will speed some Federal expenditures by placing many orders in the near future which would ordinarily be made six months from now. This will result in an increase in shipbuilding, road and airport construction.

Industrial output in July dropped about 6% below June due to plant-wide shutdowns for vacations and "other purposes," the Federal Reserve Board reported this week. Its production index dipped to 117% of the 1947-49 average, down 7 points from June. The board stated that after allowing for seasonal vacation close-downs by many industries in the June-July period, its index was unchanged from June levels. The July index, however, was 12 points, or 10%, below the year-ago figure.

New claims for unemployment compensation dropped 12,900 to 272,000 in the week ended Aug. 7, the United States Department of Labor reported. The total number of workers claiming jobless pay, as of July 31, was 1,792,000, down 62,000 from the preceding week, it said.

The nation's output of goods and services in the second quarter showed its first increase after a nine-month decline, the United States Department of Commerce disclosed. Gross national product reached an annual rate of $356,000,000,000, up $200,000,000 from the first quarter this year, but 4% below the record $369,900,000,000 mark of the 1953 second period. The latest gain was due to rising consumer spending and private construction outlays which offset reduced Federal expenditures, the department added.

Growing confidence that the steel market will soon show improvement is not yet reflected in current production rates or order books, states "The Iron Age," national metalworking weekly this week.

As a matter of fact, steelmaking operations are currently scheduled at only 62.0% of rated capacity, a decline of two points from last week. Steel ingot production index is estimated at 92.2 (1947-49 = 100). It adds, despite some improvement in the "number of orders," total tonnage on the books does not yet indicate any substantial improvement in production.

August order books are closed, although you can still get quick delivery of moderate tonnages of most items by shopping around a bit. Mills can often give delivery quicker than indicated by their production cycles. They can do this by making short over-runs on production orders, or by holding small tonnages of semi-finished steel which can be processed as emergency orders. Also, cancellations or requests to delay shipment sometimes make spot tonnages available, notes this trade authority.

Continued on page 30

Observations . . .

By A. WILFRED MAY

Supply and Demand—And Market Psychology

In the following letter to this column Mr. Myrick raises two interesting market questions:—(1) What is the nature of the supply of common stocks?; and (2) Is selling more logical than buying?

Dear Mr. May:

Reading your column in the Chronicle I do not recall that you have ever commented on the question of where all the stock comes from that is being bought from week to week on the Stock Exchange. This it seems to me is an important point. In buying I often wonder who it is that is selling and whether his reasons for selling are sounder than mine for buying.

A. Wilfred May

The recent transactions study of the Exchange threw some light on the subject. It is apparent that a very large proportion of the volume represents trading transactions which largely offset each other. But it is also clear that a substantial amount of accumulation has been going on for a long time.

Now the Exchange constitutes a relatively closed economic system in which the over-all supply is quite unresponsive to demand, contrary to most business operations in which supply tends to rise and fall with demand. Persistent accumulation in such a system obviously has a strong influence on prices and makes the inflexibility of the basic sources of supply a prime consideration. To the extent that new listings are not available to satisfy the demand, it would appear that higher prices must absorb funds that continue to seek employment within the confines of the Exchange. Of course other sections of the securities market do provide outlets but the growing popularity of listed common stocks raises some interesting questions relative to the other side of the demand-supply equation.

Yours very truly,

DONALD MYRICK
312 East Pedregosa Street,
Santa Barbara, California

Long-Term Diminution of Supply

In the area of supply, let us first take a look at the comparative paucity of new issues to absorb the expanding sources of demand. Capital flotations by way of common stock issues, as tabulated by "The Commercial and Financial Chronicle," in 1953 totaled only $1,095,957,497—against over $5 billion back in 1929, $3.6 billion in 1928, $1.7 billion in 1927, and $1.6 billion in 1919. And recent years' totals have been even smaller than 1953's—the 1950 and 1949 figures having been barely half of last year's.

Since 1948 the grand total of all new issues, as calculated by the Department of Commerce, has totaled only $11.4 billion, against a total price rise of $56 billion.

It is calculated that since the end of World War II our corporations have used the capital market for only 7% of their capital requirements—less liberal dividend pay-outs as well as the use of depreciation reserves contributing to such independence.

The rising proportion of new issues being channeled to institutional buyers via the private placement technique, combined with the rising institutional demand for equities, has also dried up the supply of stock for individual buyers. The 1953 total for all issues so floated was $2.7 billion, contrasted with $458 million in 1937 and $680 million in 1938.

Also contributing to the diminution of stock supply has been the tax on capital gains—a cumulatively effective force as prices rise (inclusion of the mathematical tax calculation in the decision whether to liquidate being warranted).

Perhaps an offsetting potential *addition* to the supply of stocks worth mentioning, is constituted by the stock split — if only psychologically, in providing more pieces of paper. And this is a device which also becomes increasingly important "the higher they go."

The Demand Factor

Considering the demand side also from a quantitative viewpoint, we note apparently additional support to upward price pressure. Personal savings have since 1929 risen from $4 billion to $30 billion; our population has grown by 33%; pension funds' equity investment stands at $250 million annually; and 1953 common stock purchases by life insurance companies, at $126 million, is on the strong upswing. The mutual funds, with $641 million of acquisitions during the first half, are another comparatively new fillip to the common stock.

Usual Interaction Invalid in Market

But assumptions about the boosting of market prices automatically to ensue dually from these supply-and-demand factors must be accepted with strong reservations—at least over the short-term. Drastically to a much greater extent than is true of the economy in general, correlation of price with quantitative supply-and-demand data, excepting over the longer-term, is knocked askew by the unique psychological factors controlling the behavior and decisions of both buyers and sellers.

The absence of correlation of market price movements with quantitative demand elements in the economy, as changes in personal savings; as well as the failure of various technical tools attempting to appraise the volume and "quality" of buyers at a given time; have been demonstrated in this column previously.

Exit Supply, Then Demand

Non-statistically, let us recall the 1928-1929 pre-crash credo—held alike by investment expert and golf caddy—that "good" stocks, despite 200-1 price-earnings ratios and 2% yields, were cheap because of their growing "scarcity value." Thereafter, from November, 1929-June, 1932, prices were decimated in an unexpected avalanche of selling occurring in a vacuum left by the panicky exit of the former supposedly unsatisfiable demand-ers. During the first interval of that cataclysmic bear market the sellers and buyers were acting rationally (a state just as inexplicable as it was newly arrived at); while during the latter stages of vanishing prices, the suppliers-and-demanders were again propelled by manic-depressivism.

When will another tidal wave of unreasoning extra-value optimism or pessimism engulf that demand-supply equation?

Will the army of holders of redeemable mutual fund shares play a part therein?

In any event, the answer to the concluding question raised by Mr. Myrick seems to be that in the stock market, the quantitative supply-and-demand elements constitute an important determinant of price only over the long-term; and that, as further stimulated by its growing atmosphere of "respectability" here and abroad, the price level of the common stock should move secularly upward.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Mrs. Mary F. Paul has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Bassett Building.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry J. Shirley, Jr., is now with Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Fairman, Harris Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank B. Nichols has been added to the staff of Fairman, Harris & Company, Inc., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Allan P. Ogilvie, Jr., is now with Hornblower & Weeks, 134 South La Salle St.

How Good Are Our Communications?

By J. EDWARD TRAINER*

Executive Vice-President, The Firestone Tire & Rubber Company

Condemning our complacency with the economic record of more jobs, higher incomes and rising standards of living, prominent rubber manufacturing executive discusses what can be done to aid communications with employees, and impress upon them the source which provides their security. Also considers problem of improving communications with the community in which plants are located as an aid to business expansion. Refers to plant close-downs because of high manufacturing costs, and says communities should understand this business problem. Urges improving world-wide communications to convince peoples abroad our economic system is the best.

When businessmen get together it is natural that their major topic of conversation is business, so I assume that you invited me here to talk about business. The possible subjects for business discussion are so numerous that a recital of them would be endless. However, there is one subject which is of vital importance, about which not enough has been done, written or said. That is the subject of communications with the people from whom business needs support—the employees and the public.

J. E. Trainer

We are not just business and professional men. We are human beings and we realize our responsibilities to our employees, our community and the nation, and we meet these responsibilities to the best of our abilities. But if no one knows what we are doing or why, we soon find that others are either taking credit for the things we have done or are trying to block our plans for the future. Most of us know this problem exists, but we are so busy doing that we neglect the telling.

We need to ask ourselves the question: "How good are our communications?" And we need to make clear in our own minds just what information needs telling most urgently.

Our Free Enterprise System Threatened

At the root of our need for better communications is the fact that, perhaps because the communications of other forces have been stronger than ours, our system of free enterprise is threatened, and along with it, our other freedoms.

In the struggle going on between the free enterprise and the communistic ways of life in many of the remaining free nations of the world, you would think that the example of our economic success would easily swing these people to our side.

Unfortunately, this is not the case, and it is obvious that we must conclude that we have not done the selling job that is necessary either at home or abroad. I make these points because I am convinced that many of us have been too smugly satisfied with our own success.

We have been content to let the economic record of more jobs, higher incomes and rising standards of living speak for itself. We can no longer afford such complacency.

In order to solve the problems of communications we might try to clarify them and then lay out a few simple, easily understood points that we can use to help tell our story as businessmen to our employees and the public.

First, let us consider how we can aid communications with our employees.

Much has been said and written about so called "employee relations," through which management builds good will among its employees, provides greater and greater benefits in addition to higher and higher wages and provides information about the progress of the business, its products and services and future prospects.

All this should be done and is being done quite well since business does realize its tremendous responsibilities to the people it employs.

But management does not go far enough. For example, it provides greater and greater security, but somehow fails in telling employees just where the added benefits come from and how it is possible to provide them.

Fringe Benefits

The Chamber of Commerce of the United States makes a study every two years of the cost of fringe benefits in industry—those extra payments that go to workers for things such as pensions, insurance, hospitalization and paid vacations. In its latest report for 1953, the Chamber of Commerce shows that these benefits are adding nearly $25 billion a year to the employers' cost of doing business. The annual average cost is $739 for each employee, an increase of $95 since the last report in 1951. On an hourly basis this amounts to 35.6 cents an hour over and above regular pay.

The Firestone Company alone spends $33 million a year to provide these extra benefits for plant employees in the United States. Hourly plant employee benefits average approximately $20 a week for each employee. This amounts to $1,000 a year in addition to regular wages.

But we do not seem to impress our employees with these facts. I believe that if you went out and asked the average man what his benefits were you would find that he would say that they were about 50 cents a day.

We can be proud of what we have done and we should make more effort to show employees what is being done for them. We should also impress upon them the source of the money which provides this security.

To do this there is one basic principle that should be hammered home with every possible means. That is that business must be successful. Business must make a profit to stay in business. It must make a profit to fulfill its responsibilities of providing jobs, payrolls and extra benefits. When there is no profit, there can be no business. When there is no business, there can be no employees. It is as simple as that. Yet how many employees realize that. How many are genuinely pleased to see their companies make profits?

We might not go as far as the ideas contained in a publication I read recently, but they might serve to point up to our people their responsibilities to their employers. The article I read made the point that under our system of free, competitive enterprise a job had two-way aspects. It suggested that while management was continuing to build good will among its employees, the employees might also seek to improve their employer relations. In return for what management has already given employees, the article proposed that employees consider some requests from management for fringe and other benefits — such as greater penalties for unwarranted absenteeism and tardiness, shorter breaks, and the doing of Company business and no other business on Company time.

And in return for management's praise of its employees the employees should voluntarily improve the security of their own jobs by telling friends about the great value of their company's products and speaking about some of the generous things the company does.

The article also wonders what would happen if the employer organized himself into a grievence committee and sought a minimum work-production law or charged the employee with being an economic royalist because the employee kept asking for more without giving more in return.

Another thing we can do is to put more stress on the nonmaterial rewards. We recognize that "man does not live by bread alone." People look not only for material satisfactions, but also for spiritual satisfactions. Industry must balance its budget, but also tend to its relationships with people. Management will find that it can get more work done by its employees if it shows concern for them and makes them feel they are more a part of the operation of the business. When they understand how quality workmanship, lower costs and more efficient operations and more attention to the needs of the customer can help all concerned, they become more interested and take greater pride in what they are doing.

Improving Communications With the Public

When we have done our job of communications with our employees, we should then consider whether or not we are doing an adequate job of communications within the community where we live and work. The success of the companies in a community determines the security of the entire community and each person in that community should give enthusiastic support to those businesses just as the business supports the co-operative enterprises of the community.

You all know what the rubber industry has meant to the City of Akron. But what should be remembered is the reason why the industry grew here in the first place. Business does not locate or stay in a community by accident. Such decisions are reached by much study and consideration—by scientific, sound planning. In making such decisions, a company must first determine what its markets will be and what the distribution facilities are. It must determine that there is available a sufficiently large force of good, competent workers. It must determine that production can be carried on at reasonable costs. All these things add up to the fact that there must be a favorable business climate before business can be established, develop and grow in a community.

Chambers of Commerce spend much time and effort in trying to attract new businesses to their communities. They convince these new businesses that favorable conditions do exist. They **also should do everything possible to aid and promote the existing businesses** in their communities.

In our nation's economy, industries must keep growing, and must do their expanding where they think it can best be done. Industry will continue to expand during the years ahead and the field is wide open for the areas found best for the purposes of expansion. We in Akron must be sure that our community is in a good position to provide a good climate for this expansion.

I can speak with personal knowledge of two communities which did not meet the needs of industry and thus lost important segments of their industry. Years ago I saw the company I was then with, the Babcock & Wilcox Company, move out of Bayonne, New Jersey, because of excessively high taxation and a lack of understanding about what a company needed to stay in business.

B & W went where it was appreciated. And for the same reasons two other large companies located in the same area moved away.

The Firestone Company had a similar experience in another community. We had in New Bedford, Massachusetts, one of the finest textile mills in all New England. Through unwarranted demands for increases in wages and continual reduction in the workloads of employees, our costs finally reached the point where we could buy our fabric in the open market at prices lower than the price at which we could produce it ourselves. We thought we would have to close down our plant. Before doing that, however, we talked to our employees about the situation and they actually pooh-poohed the idea that this could happen. Because of the economics involved we had no choice but to close the plant and part of the machinery was later shipped to one of our plants in South America.

When the machinery was shipped the news stories in the papers and the public discussion were unbelievable. There was much rejoicing about the fact that the machinery was shipped out in an ocean-going vessel, reviving interest in the city as a seaport. But no mention was made of the important fact that the equipment being shipped out was equipment that had provided jobs for people in New Bedford.

Problems of High Manufacturing Costs

Just this month I have read of several companies closing down operations in various cities because of inability to meet the problem of high manufacturing costs. According to "Business Week" the carpet mill of Alexander Smith, Incorporated, in Yonkers, New York, prepared to close down, wiping out 2,400 jobs.

Lehigh Coal & Navigation Company similarly shocked nine communities in the Panther Valley of Pennsylvania by announcing its decision to close all anthracite mines permanently. In Milwaukee, the Phoenix Hosiery Company announced plans to stop knitting women's hosiery in a local mill, knocking out 250 jobs. In Newark, New Jersey, the Ronson Corporation closed a cigarette lighter plant, idling 550 employees. In St. Louis, the Union Biscuit Company closed a cracker and cookie plant, transferrin production elsewhere and leaving 400 jobless.

These situations, according to "Business Week," indicate widespread economic trouble, the management problem of operating profitably in a high-cost, competitive market.

Cases like these represented such a loss to so many people that it is important to study **why** they occurred. I think it would be sound reasoning to assume that the unhealthy atmosphere in these communities involving the people and the companies where they worked was caused by a lack of understanding, which perhaps could have been avoided if the communications of the industries had been better. Perhaps it was not that the communications of business were faulty in themselves, but that the communications of forces adverse to business were stronger. Whatever the reason, it is clear that to avoid such situations, we must work hard to make the public, including the people who work in our businesses, realize the need for a good business climate.

If we could gain public understanding of our problems in a business way, the problems of the community as a whole would become much easier.

For example, if everyone understood and backed community industries, the children would gain understanding from their parents and economic education in our schools would be much easier. For another example, if we had adequate understanding among our citizens, the success of such cooperative enterprises as our annual United Fund campaigns would be assured. Everyone knows that business is depended upon for a very large portion of the contributions to such campaigns. And business gladly gives, not only because it believes that the strong should help the weak, but also because it realizes its responsibility in a free society to help make community life better. If everyone in the community understood this, all people outside business would be glad to give their proportionate share, taking up their portion of community responsibility.

Along this line, the Public Opinion Index for Industry, organized in 1943 as a market research operation to aid the telling of the story on industry's leadership, has given an equation to simplify the problem. This equation is: "X plus Y equals good public attitudes." The X in the equation is the deed and the Y is the interpretation of the deed. Both are needed to complete the equation. We must not only do good deeds, or X, but we must interpret those deeds, Y. This equation could be a very good guide to us in gaining good community attitudes toward business.

Problem of Keeping Our Economic Freedom

The third, and last, problem of communications is more complicated and thus more difficult to solve than the others. That is our problem of helping to keep our economic freedom and other freedoms in the face of great pressures from the proponents of other ways of life. It is my firm opinion that if we are able to convince the world that our free economic system is the best system, we will also be able to preserve our other freedoms and help the rest of the world ultimately to reach similar freedoms.

We must recognize that our free enterprise system is more than a system. It is a way of life—a way of life that has its rules and conditions.

While it is a man-made system, it is in accord with the basic realities of human life and the freedoms that make life worthwhile. No other system has these attributes.

Our difficulty is not in our lack of belief and faith in our system. Very few of us in the United States want to change it and the majority of us would defend it with our lives. The difficulty lies in our ability to interpret this system to others who have never known such freedoms and to the new generation in our own country.

Much has been said and written about the free enterprise system, what it is and how it works. In

*An address by Mr. Trainer before the Rotary Club, Akron, Ohio, July 27, 1954.

the literature on the subject you encounter such words as "capital," "private property," "savings," "freedom," "competition" and others. In my opinion you have to go further than words. You have to reduce words to their real meanings and get back to the rules that really make our free enterprise system work.

I believe that the principles of our free enterprise system can be stated in four simple rules. They are:

(1) There must be no interference with nor limitation on the legitimate free choices of individuals.

(2) The sanctity of private property must be preserved.

(3) Free and impartial competition must be maintained.

(4) Profits must be regarded as the just reward of the efficient and successful.

I would like to talk in detail about these points to give you some ideas on how you can tell the free enterprise story but time does not permit it.

To recapitulate: we have discussed the three major problems we as businessmen have in communications, the three publics we must be concerned with in improving our relations—our employees, the community and the general public. We have mentioned just a few of the things which are important to communicate to these publics.

The final question is: What can we do to improve the communications of our own businesses and of business in general?

It seems to me that the most important element in the answer to this question lies with us and what we know about the free enterprise system. We should therefore know everything there is to be known. And in possession of these facts, we should broadcast them in connection with what we are currently doing or plan to do.

Our employees are perhaps the most important factors at the end of our lines of communication. Through personal contact if possible, and if not, through our publications, letters and bulletins, we should tell our story to them.

Our relations with the press are important, and we should do everything in our power to get our story over to the community and the general public through this medium.

Whenever we are invited to speak at a gathering we should feel not only the obligation to do so, but we should look upon the occasion as an opportunity to talk about the free enterprise system, what it is, how it works, and the benefits it brings to everyone.

All of us should take an active part in the co-operative activities of the community, as many of us do. We should be active in support of our educational efforts, and we should co-operate wholeheartedly with the schools in their requests for information. We should see to it that we make teaching jobs attractive enough so that we obtain the right kind of teachers. We should not only pay our teachers good salaries, but we should improve their status in the community.

We should be extremely selective in our choice of candidates for public office, and our opinions of government problems ought to be made known to our representatives in Columbus and in Washington.

These are the important elements in our line of communications. If we do not carry out our responsibilities, the forces opposing free enterprise will win the fight through our default. If, on the other hand, we clearly realize the present danger and take the steps which are necessary to combat it, we will triumph. Ours is the best system. For the nation's good and the welfare of the American people, our responsibility is quite clear.

From Washington Ahead of the News

By CARLISLE BARGERON

After the adjournment of Congress, possibly at week's end, we are to have, after a brief spell in which the participating Senators will try to get their breath, another McCarthy show, which although without TV, should be as drama packed as the Army-McCarthy hearings. Apparently there is never to be an end.

Carlisle Bargeron

A Committee of six Senators, three Republicans and three Democrats, are to sit in judgment on seemingly every charge that has ever been made against the Wisconsin Senator, every possible grievance that could be held against him anywhere in the country or, for that matter, abroad. In the course of the recent debate in the Senate on Senator Flanders' censure resolution, it was demanded that his tormentors come up with specific formalized charges. As a result, Senators Morse, Fulbright and Flanders produced 46; Flanders 33 of them.

They make amazing reading as to the hysterical opposition which McCarthy has aroused. They include a charge that he has "smeared" some of our well-known gossip columnists, which would certainly be in the nature of an accomplishment rather than something for which the Senate should censure him. Flanders admitted that his list was prepared by the National Committee for an Effective Congress, an organization of liberal thinkers, which during the Senate debate set up offices across the street from the Senate Office Building and bombarded members of Congress with demands that McCarthy must go.

What interests me more, however, is that in all those 46 charges there is not one that he has "smeared innocent persons." This is the one I have heard most and considered to be the most important in the great battle against McCarthyism and its alleged attendant evils.

If McCarthy is just a wild and woolly Senator, intemperate in speech and action, if he is, indeed, just a demagogue, well heaven knows we have had the type before. You may not like it, but if it is what the people of Wisconsin want they are entitled to have it. There is certainly nothing new about the type that would cause the emotions which McCarthy has aroused.

I have considered that it was the charge he "smeared innocent persons" that was responsible for the fire he has lighted, and to the extent that I have given study to the matter, this is what I have tried to learn about. I have sought as have others to pin down his critics to give one single satisfactory name of a person unjustly accused or abused.

It surprises me now when the chips are down, so to speak—when McCarthy's public life is to be raked over the coals—to find not a single suggestion of a charge that he has "smeared innocent persons."

Instead, it is rather an open secret in Washington political circles that his enemies hope to get him on one of the 46 charges—one that came up as a by play of the Army-McCarthy hearings. This is that he received a secret, classified document when he was unauthorized to do so and that further he called upon Government employees, under the eyes of the American TV audience, to violate their security oaths and turn over secret documents to him.

The document in question was a FBI report giving derogatory loyalty information on an Army employee at Fort Monmouth. Someone, fed up with no action being taken against the employee, turned an abridged version of it over to McCarthy. He claims it was a young Army intelligence officer. The Army after an investigation has now reported it is convinced no Army officer gave the information to McCarthy and has so informed the Department of Justice for any action it may want to take—possible perjury prosecution against McCarthy.

Well sir, it was a caution when the matter came up during the hearings. The Army's attorney, the Pickwickian Mr. Welch, drew back from the document as if it were a rattlesnake; his associate did likewise, and the Democratic Senators, McClellan, Symington and Jackson, followed suit, all repeating in holy horror, that to touch the document would put them in violation of the law. They wouldn't dare look at it unless authorized by the Attorney General to do so and in due time there came a message from the Attorney General refusing this authorization.

McCarthy didn't realize the significance of the case his enemies were making as they kept emphasizing his being in possession, illegally, of secret, classified information.

McCarthy said he was always receiving information from Government employees on evil-doing in Government and he urged the employees to continue to cooperate with him. Pointing out that in the event the Democrats captured control of the Senate next November, McClellan would be Chairman of the Committee, he urged him to join in assuring Government employees that they would be protected in giving Congressional Committees information on evil-doing. McClellan solemnly repeated that he would never ask Government employees to violate the law.

McCarthy was out-witted in this play for the grandstand. In the first place there was nothing of "aid to the enemy" in the information McCarthy had; it was an example of the Army's dragging its feet on a loyalty case. And as to where McCarthy got it, the best guess in well-informed circles is that it came from the FBI. It is fairly well known in official Washington that the FBI, often frustrated by the lack of action on its reports, passes the information to the proper members of Congress. As to McCarthy intending to appeal to Government employees to violate their oaths and turn over to him security information, this is absurd. Only the most trusted and higher officials are supposed to receive such information in the first place.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—89th consecutive quarterly comparison of leading banks and trust companies of New York—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Beneficiaries of Seaway Construction—Circular—L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

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"—2nd printing of "Highlights" on automation—Troster, Singer & Co., 75 Trinity Place, New York 6, New York.

New Japanese Share Offerings—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Oil Industry in Canada—Analysis—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

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

Pittsburgh Bank Stocks—Comparative analysis—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Reasonable Values in Today's Market—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Sound Conditioning Survey Chart—Analyzing noise problems —Dept. FF-84, Celotex Corporation, 120 South La Salle Street, Chicago 3, Ill.

"Thinkubator of Ideas"—Descriptive literature of services—The Art Coop, Dept. G, 52 Wall Street, New York 5, N. Y.

Toll Pikes—Memorandum—A. C. Allyn & Co., 122 South La Sale Street, Chicago 3, Ill.

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Affiliated Gas Equipment Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available are bulletins on **Gardner Denver Company, Mount Vernon-Woodberry Mills, Inc., Robertshaw Fulton Controls Co.** and **Detroit Steel Corp.**

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

American Mercury Insurance Company — Special report — Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Argus Corp., Ltd.—Discussion in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street New York 5, N. Y. Also in the same issue is a list of 40 companies which are candidates for **Stock Dividends or Splits.**

Best Foods—Circular—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Boeing Airplane Co.—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Chattanooga Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Chesapeake Industries, Inc.—Analysis—Baruch Brothers & Co., Inc., 44 Wall Street, New York 5, N. Y.

Cinerama Productions Corp.—Memorandum—John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

Collyer Insulated Wire—Analysis—Standard Investing Corporation 40 Exchange Place, New York 5, N. Y. Also available are analyses of **R. Hoe & Company** and **S. Morgan Smith Company.**

De Beers Consolidated Mines—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Douglas Aircraft Company, Inc. and the **Aircraft Manufacturing Industry**—Detailed analytical study—Kuhn, Loeb & Co., 52 William Street, New York 5, N. Y.

Food Machinery & Chemical Corporation—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Jack & Heintz, Inc.—Analysis—Daniel F. Rice and Company, 141 West Jackson Boulevard, Chicago 4, Ill.

Merck & Co., Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Metal Hydrides Incorporated—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Quebec Metallurgical Industries Ltd.**

J. P. Morgan & Co., Inc.—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Reserve Oil & Gas Company—Bulletin—The Hughes Organization, 326 Sutter Street, San Francisco 8, Calif.

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

Trade Bank & Trust—Circular—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Upson Company—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

West Coast Life Insurance Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Wisconsin Central Railroad Company 1st Mortgage 4% Bonds of 2004, income 4½s of 2029, and common stock—Analysis giving status—S. Weinberg & Co., 60 Wall Street, New York 5, N. Y.

Worthington Corporation—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Our Foreign Policy

By ROGER W. BABSON

Describing our foreign policy as "poor sales performance," Mr. Babson says we need a more efficient foreign service. Advocates something be done to improve the morale and performance of those who represent our interests abroad, and proposes incentives for foreign service personnel to attract more efficient men.

I am disturbed by the recent trend in our foreign relations. Despite the expenditure of billions of dollars abroad in military and economic aid, we have not been having much success in selling America and American ideals to other other people.

Roger W. Babson

Our foreign relief and rehabilitation programs, including the great Marshall Plan which, together with Point Four, did so much to put Western Europe back on its feet, were good ideas. They stimulated economic activity here at home and they aided countless millions of people in Europe and Asia. But they served also to antagonize some people abroad and to create mistrust.

Poor Sales Work

In other words, our government spent much time, effort, and money on a big promotional campaign that almost fizzled. Why? I think we failed because our official personnel abroad—our salesmen, if you will—did not know exactly what they were selling and did not trouble to ascertain the real needs of the foreign countries which were their "customers." That was not good diplomacy, or good politics, or good business. Although we are a mighty nation, we **cannot** afford such poor "sales performance."

Our foreign policy has been directed by a number of very capable men. I do not blame them for the fact that it has backfired so often in recent years. They have had hard sledding, with crisis following upon crisis. They improvised, and perhaps did the best they could. **Meanwhile, the** State Department has provided good berths for generous contributors to political party "war chests."

More Efficient Foreign Service Needed

We need more efficiency and ability in the State Department, **and particularly in the conduct of its overseas operations.** Next year, Congress should give careful study to effecting improvements. It could provide for recruiting Foreign Service personnel by establishing scholarship training programs somewhat like the one which has worked so well for the Navy's Reserve Officer Training Corps.

An alternate measure would be the founding of a Foreign Service Academy to train men and women especially for overseas service in the diplomatic field. This new academy would be supervised carefully by the government itself. Its standards would be comparable to those of West Point or Annapolis, which have had great success in their respective fields. Money will not secure promotion in either of these institutions.

Incentives Are Lacking

While we are waiting for Congress to decide how best to recruit and train Foreign Service officers, something should be done about improving the morale and performance of those who now represent our interests abroad. I am told that the Foreign Service Officer Corps is at the lowest numerical strength in five years—and this at a time when world tensions are very high. Promotions among these men are too uncommon. Few incentives for doing a better job are offered to them.

Men have served in the Foreign Service for as long as 20 years without having passed more than two years of that service in the United States itself. Such a condition of exile is poor policy. These men cannot be effective exponents of the American way of life unless they are given frequent opportunities to come back home. How else are they to obtain really first-hand knowledge of the needs which should shape our national policy?

Let's Face Reality

We have developed a dynamic domestic economy which has met many challenges. We should also have a dynamic foreign policy. Our frontiers now lie well beyond our shores. There must be a way to attract our best men to work for our interests abroad. We must find that way if we are to preserve our own freedom and get our share of the world's raw materials, of which we stand so much in need. Our national security itself lies in the balance and depends upon more friendly allies.

I forecast that the State Department will be reorganized and operated as carefully as the Army, Navy, or Air Force Departments. No one can become a recognized general or admiral by making a monetary contribution to a political party. Some day, I forecast, the State Department will cease being used to pay off political debts to large party contributors, or to help support lame-duck politicians.

Business Man's Bookshelf

Facts About the New England Cotton and Man-Made Fibre Textile Industry Today—Northern Textile Association and National Association of Cotton Manufacturers, 80 Federal Street, Boston 10, Mass. (cloth).

Fringe Benefits 1953 — Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C.—paper—$1 (quantity prices on request).

Guide to the New 1954 Tax Law —Research Institute of America, Inc., 589 Fifth Avenue, New York 17, N. Y. (paper).

Money & Credit: The Fallacious premises of the Gold Standard and of the Credit Expedients for its Management—Vol. 1—Marinos E. Constantacatos—"Hestia," 13 Hippocratous St., Athens, Greece.

A Plan for Fighting Depressions

By RICHARD E. DEEMS*
Vice-President and General Advertising Manager,
Hearst Magazines, Inc.
Director, Advertising Council

Mr. Deems, extolling the activities of the National Advertising Council in its development of a massive and effective system of delivering persuasive messages to the public, reviews the much-predicted "Recesssion of 1954," and tells of the results of a short survey by the Advertising Council of what the biggest companies are thinking about the future of America. Stresses importance of the state of mind of business groups, and lists a number of facts and trends that support optimism for the future.

I am delighted to be here in Los Angeles for two reasons. First, because my own organization has been an enthusiastic part of this community for a good many years. And, second, because I am happy to help you celebrate Advertising Council Day, and pay tribute to what President Eisenhower has called one of the most important private organizations in the country — an organization which has become famous for its pioneering in the mass communication of ideas.

Richard E. Deems

The Council has been called the conscience of advertising. Today, it might almost be called the conscience of America.

Here are some of the things its constant reminders to Americans —the voice of the national conscience — have helped to accomplish during the past year:

(1) It helped out forest fires by 18%. Despite one of the most hazardous years in recent history, there were 36,117 fewer forest fires last year than the year before. As you know, your own Russ Eller is the volunteer coordinator of this campaign; and the task force agency is Foote, Cone & Belding in this city.

(2) It strengthened our country's defense against surprise attack by recruiting 173,000 volunteer skywatchers to supplement our radar network.

(3) It persuaded men and women to give millions of pints of their blood.

(4) It helped sell $4,368,000,000 worth of small denomination U. S. Savings Bonds, climaxing the greatest mass movement toward thrift in history.

(5) It persuaded millions of friends and relatives to write to lonely GI's overseas.

(6) It induced new thousands of youngsters to choose engineering as a profession. It sent freshmen engineering enrollment up 18%, while overall college enrollment declined 5%, and thereby helped to correct a dangerous shortage of scientists.

(7) It helped raise $280 million for the Community Chest and $85 million for the Red Cross.

(8) It helped maintain the Crusade for Freedom, and, hence, broadcast the news of the free world to the truth-starved people behind the Iron Curtain.

(9) It recruited 50,000 student nurses for the nation's hospitals.

(10) It helped drop the death rate for all accidents to the lowest figure on record.

All these accomplishments are improvements in our American way of life which would not have happened had not American advertising developed a massive and effective system for delivering persuasive messages to our citizens about what needs to be done.

This is a potent new force in American society whose importance is hard to over-estimate. The good it has already accomplished is very great, and the good it *can* accomplish is untold.

The "Future of America" Campaign

Today I want to illustrate this point with a case history. I am going to concentrate on the story of one Advertising Council campaign—the 1954 campaign called The Future of America.

If this talk had a title that title might be "Who Killed Cock Robin?" Cock Robin being in this case the much-predicted Recession of 1954. But we won't take this title seriously because we won't know until fall whether Cock Robin is really stone-dead, and because even if he is dead, no one thing was the *sole* executioner of the recession.

One point, however, is becoming more and more evident; the restoration of confidence played the biggest part in stopping the slide. Now *if* advertising helped restore this confidence, then a discovery has been made that is of very great importance indeed. Since depressions threaten not only America but the whole free world, it is important to our very existence. Anything which can help in any way to halt a downswing should make everyone connected with advertising, the social sciences or economics stop, look and listen.

If an advertising idea helped restore public confidence, then it helped save the American economy billions of dollars. Jobs were saved that might have been lost. And millions of tragic heartaches didn't happen.

Hence, the subject is worth more than casual examination.

As early as June 27, a New York paper was saying, "The pessimistic chorus which greeted 1954 is now tuned to a new key. The outlook today is one of cheerfulness." "Pessimists turn optimists," said another, reporting on a poll of 100 business leaders. And by July 17, "Business Week" could report that the confidence of business leaders was shared by consumers. "Confidence in the future seems to be guiding consumers," it reported. "The average consumer now seems willing (1) to save a little less out of current income, and (2) to borrow a little more on future paychecks. This is the only way to explain more spending on the same income."

A Survey of What Big Companies Think of the Future

The Advertising Council has just completed a spot survey by telegraph to find out how some of the biggest (bellwether) companies are thinking about the future of America . . . short and long range. I am happy to announce for the first time, here in Los Angeles, the exciting results of this survey.

The corporate outlook of these "growth" industries is both bright and encouraging. In fact, it's incredible when you match it up against the dire pessimism intoned in some quarters only a few months ago!

Thirty companies were covered in this survey. What they think is very important because they are all leaders. They were asked how much they intend to spend for plant expansion, new equipment and other capital improvements.

Although 1953 was the peak year for capital spending, these companies reported that in 1954 they were banking on America's future prosperity to the tune of *$4.1 billion*, the greatest expenditures in their history!

Fourteen of these firms also projected their plans five years ahead, through 1958. This group, alone, will invest *$3.2 billion* . . . or an average of $640 million a year . . . again the greatest capital expenditures in their history.

I am not trying to stagger you with figures, but to simply point up in dollars and cents language that the forward-looking business leaders not only *see* a bright future, but they *feel* it.

Let's see what a few of these foresighted industrialists are going to do:

The Continental Can Company will spend $25 million a year on expansion and modernization of production facilities for the next five years.

Over the next five years, the Southern Pacific Railway will spend $60 million a year for expansion and development, including modernization of its passenger equipment, such as the revolutionary new Dome car.

A. T. & T. will spend $1,400,000,000 on a huge construction program to meet the public's telephone wants.

The giant General Motors is undertaking a new program calling for capital expenditures of $1,000,000,000 all in two years.

Since World War II, the Eastman Kodak Company has carried on a program to replace, improve, and expand company plants and equipment and in 1954 alone, they will spend $52 million with similar amounts scheduled for the next five years.

The National Cash Register Co. in the next five years will spend $30 million.

Armour and Co. has budgeted $70 million for the same period for new plants and equipment.

Out here on the Coast, the Pacific Gas and Electric Company is continuing its long-range program to extend and enlarge its facilities for public service and in 1954 and 1955, the company will spend $340 million for capital improvements.

Every year for the next five years, the DuPont Company will spend $100 million for expansion.

Back in New York, Consolidated Edison is engaged in a construction program which will eventually involve expenditures of $400 million from the years 1954 to 1958.

This year alone Swift and Company estimates that it will spend $300 million for new machinery and buildings.

RCA in the next five years expects to budget $120 million for the same purpose.

B. F. Goodrich will spend $100 million in the next five years and the General Electric Company this year alone is spending $175 million for new and modernized laboratories, factories, and equipment. This is a record for the company and expansion expenditures through 1955 are expected to continue at a high rate. Mr. Ralph J. Cordiner, GE President, estimates his company can expect to do an annual business of between $4 and $5 billion until 1961, even though it does no more than its share of the electrical manufacturing business.

Profit Reports

Now take a look at some of the profit reports for the first six months of this year.

General Motors recorded $883 million, before taxes. This is a new record, breaking the previous high of $803 million, in 1950, for the same period. Westinghouse, RCA, Inland Steel and Standard of New Jersey all broke records, to mention a few.

No depression here, is there?

What a turnaround in a few short months!

A little over a year ago, Walter Reuther was concerned about the possibility of "a depression which would directly affect the welfare of every American."

But the worry started in earnest around Labor Day. Senator Douglas was one of many who became alarmed and by February was saying that, "the present situation . . . is now admitted to be a recession even by those who formerly shied away from that term . . ." Martin Gainsbrugh, chief economist for the National Industrial Conference Board, said, "The business downtrend warrants the label of recession and not rolling adjustment."

British economist, Colin Clark, touched off a king-size explosion by predicting a serious depression in the United States. And one of your Los Angeles businessmen hit a new low in pessimism when he said, "The trend is now toward a very serious readjustment. That means trouble. I expect it to last as long as it did in the 30's, about six years."

Soon there was so much argument raging about whether there was or was not a recession, and how serious it was going to be that, as Merle Thorpe of Cities Service put it on March 17 in a wonderfully ironic speech called "How to Promote a Recession": "Depression publicity during the past months has reached every man and woman in the United States, and most of the peoples of the world. As a result, the words 'recession,' 'slowdown,' 'dip,' 'slump,' 'readjustment,' 'unemployment' are heard on every side. Only by wearing ear-muffs can one walk a block today without hearing talk of unemployment and another recession."

The Importance of the State of Mind of Businessmen

On the basis of the usual economic indices, there was nothing too unusual about these forecasts. The economic soothsayers have been reading their crystal balls labeled inventories, car loadings, bank deposits and basing predictions on them for years. But this time a new note had crept into the prophecies: there was a recognition that state of mind had something to do with dips. Remember Shakespeare?:—"There's nothing either good or bad but thinking makes it so."

Years ago Eugene Meyer of the Federal Reserve Board said that the state of mind of large groups was in itself an important economic fact. Nobody paid much attention then. But last February found the present chairman of the Federal Reserve Board, William McChesney Martin, Jr., warning the Senate-House Economic Committee that "Americans can turn the present mild decline into a serious recession simply by wor-

Continued on page 33

*An address by Mr. Deems before the Advertising Club of Los Angeles, Los Angeles, Cal., Aug. 17, 1954.

NSTA Notes

TENTATIVE PROGRAM FOR 21ST ANNUAL CONVENTION

Hotel Claridge, Atlantic City, N. J.
Sept. 22-25, 1954

WEDNESDAY, SEPTEMBER 22ND—
11:00 A.M. Registration.
7:00 P.M. Reception, Solarium.

THURSDAY, SEPTEMBER 23RD—
8:00 A.M. Registration.
8:30 A.M. Past Officers' Breakfast.
9:30 A.M. National Committee Meeting.
12:15 P.M. Ladies' Luncheon.
12:30 P.M. Men's Luncheon. Municipal Forum-Guest Speakers: Hon. Paul Trost, Chairman, New Jersey Turnpike Comm.; Mr. Sumter Kelley, Attorney, Atlanta, Georgia.
6:30 P.M. Cocktail Party, Park Lounge.
8:00 P.M. Dinner, Informal.

FRIDAY, SEPTEMBER 24TH—
8:00 A.M. Registration.
9:30 A.M. Golf Tournament, Tennis, Boating, etc.
1:30 P.M. Bus leaves for Atlantic City Race Track. Courtesy, Investment Traders Association of Philadelphia.
7:30 P.M. Shore Dinner, Captain Starn's Restaurant.

SATURDAY, SEPTEMBER 25TH—
8:30 A.M. Registration.
9:30 A.M. National Committee Meeting, Election of Officers.
12:45 P.M. Ladies' Luncheon and Hat Show.
1:00 P.M. Men's Luncheon. Guest Speaker: Hon. Ralph H. Demmler, Chairman SEC.
2:30 P.M. SEC Round Table Discussion.
6:30 P.M. Cocktail Party, Park Lounge.
8:00 P.M. Dinner, Informal. Guest Speaker: Ernest R. Rosse, Internationally Known Humorist.

Reservations should be forwarded at once to John M. Hudson, Secretary, Commercial Trust Bldg., Philadelphia 2, Penna.

NATIONAL SECURITY TRADERS ASSOCIATION CONVENTION

September 22-25, 1954, at Atlantic City, N. J.

Announcement is made of the Train Schedules for those attending 21st Annual Convention as follows:

GOING

Sept. 21—
3:00 p.m. Lv. Chicago ______ Penna. RR.
5:15 p.m. Lv. Cincinnati ____ "
5:15 p.m. Lv. Detroit ____ "
7:10 p.m. Lv. Cleveland ____ "

Sept. 22—
12:07 a.m. Lv. Pittsburgh ____ "
8:50 a.m. Lv. Philadelphia __ "
10:20 a.m. Ar. Atlantic City__ "

RETURNING TO NEW YORK

Sept. 26—
1:20 p.m. Lv. Atlantic City__ Penna. RR.
4:45 p.m. Ar. New York City "

RETURNING TO THE WEST

Sept. 26—
3:55 p.m. Lv. Atlantic City__ Penna. RR.

Sept. 27—
12:59 a.m. Ar. Pittsburgh ____ "
8:20 a.m. Ar. Chicago ______ "
8:30 a.m. Ar. Cincinnati ____ "
8:10 a.m. Ar. Detroit ______ "

The All Expense Tour Cost

From	Two in Bedroom Each	One in Roomette	Two in Duplex Suite Each	Two in Compartment Each	Two Drawing Room Each
Chicago	$118.66	$124.60	$128.56	$124.82	$134.39
Cincinnati	94.07	99.02	102.32	98.97	107.49
Cleveland	73.29	77.30	79.62	77.14	83.57
Detroit	91.74	96.33	99.41	96.36	104.25
Pittsburgh	59.70	62.94	65.14	63.44	68.44

For those returning through New York the additional cost will be $8.35 each.

Family Plan for Man and Wife

From	Two in Bedroom	Two in Duplex Suite	Two in Compartment	Two in Drawing Room
Chicago	$197.72	$217.52	$210.04	$229.18
Cincinnati	155.86	172.36	165.66	182.70
Cleveland	122.05	134.71	129.75	142.61
Detroit	151.68	167.03	160.93	176.70
Pittsburgh	100.10	110.98	107.58	117.58

For those returning through New York the additional cost will be $15.75 for man and wife.

What the Tour Includes

The cost of each Tour includes Round Trip Rail and Pullman including Federal Taxes, Dinner leaving Chicago, Breakfast Sept. 22 and Luncheon upon arrival Atlantic City. Transfer of Individuals and Baggage to Hotel Claridge. Hotel Rooms at Atlantic City are not included.

The Security Traders Association of New York will be host at a post convention Dinner Dance at the Waldorf Astoria-Starlight Roof on Sunday evening Sept. 26, 1954. For those who wish Hotel reservations in New York a block of rooms has been reserved for our group at Hotel Statler.

For Reservations and Additional Information Communicate With

John M. Hudson,
Thayer Baker & Co.,
Philadelphia, Penna.

Walter F. Saunders,
Dominion Securities Corp.,
New York, N. Y.

Edward H. Welch,
Sincere & Company,
Chicago, Ill.

PRELIMINARY REGISTRATIONS

Following is a list of those who had registered to attend the Convention as of Aug.12:

Name	Firm	City
*Arnold, Harry L.	Goldman, Sachs & Co.	New York, N. Y.
Bailey, William J.	Wilson Johnson & Higgins	San Francisco, Cal.
*Bean, Jules	Singer, Bean & Mackie	New York, N. Y.
*Bodie, Jr., Charles A.	Stein Bros. & Boyce	Baltimore, Md.
Bradley, Walter V.	B. W. Pizzini & Co., Inc.	New York, N. Y.
*Bradt, John A.	Doolittle & Co.	Buffalo, N. Y.
*Brown, Edmond L.	Garrett and Company	Dallas, Texas
Brown, William P.	Baker Simonds & Co.	Detroit, Mich.
Bruck, H. Mitchell	Baumgartner, Downing & Co.	Baltimore, Md.
*Butler, J. W.	Baker Watts & Co.	Baltimore, Md.
Chestnut, J. D.	T. W. Tindall & Co.	Atlanta, Ga.
Christ[illegible] William H.	R. W. Pressprich & Co.	New York, N. Y.
*Clark, Phillip J.	Amos C. Sudler & Co.	Denver, Colo.
Colwell, Samuel F.	G. H. Walker & Co.	Providence, R. I.
*Conary, Wilfred G.	W. E. Hutton & Co.	Westfield, N. J.
Cunningham, George W.	George W. Cunningham & Co.	New York, N. Y.
*Currie, Trevor	Trevor Currie	Denver, Colo.
*Dean, James B.	T. W. Tindall & Company	Atlanta, Ga.
Dedrick, George E.	Joseph McManus & Co.	New York, N. Y.
*Dockham, George A.	Hincks Bros. & Co. Inc.	Bridgeport, Conn.
*Doerr, William H.	American Securities Corp.	Philadelphia, Pa.
*Donadio, Joseph	Wm. J. Frankel & Co. Inc.	New York, N. Y.
*Donovan, Robert F.	Blyth & Co.	Philadelphia, Pa.
Elder, George J.	Straus, Blosser & McDowell	Detroit, Mich.
*Ergood, Jr., Russell M.	Stroud & Co.	Philadelphia, Pa.
Fitzpatrick, Frank	Joseph McManus & Co.	New York, N. Y.
*Frankel, William J.	Wm. J. Frankel & Co. Inc.	New York, N. Y.
*Freear, L. A.	William N. Edwards & Company	Fort Worth, Texas
Freeland, H. T.	American Securities Corp.	New York, N. Y.
French, John S.	A. C. Allyn & Co., Inc.	New York, N. Y.
Gallegos, Joseph F.	Lester Ryons & Co.	Los Angeles, Cal.
Glass, Jr., Chester M.	William R. Staats & Co.	Los Angeles, Cal.
Glenn, Paul W.	W. L. Gradison & Co.	Cincinnati, Ohio
Graham, Thomas	The Bankers Bond Co.	Louisville, Ky.
*Gray, William S.	Wm. J. Mericka & Co. Inc.	Cleveland, Ohio
*Green, Samuel	Pledger & Co.	Los Angeles, Cal.
Greene, Irving A.	Greene & Co.	New York, N. Y.
Gregory, Jr., William H.	Bonner & Gregory	New York, N. Y.
*Hardy, Rubin	The First Boston Corp.	Philadelphia, Pa.
Hart, Maurice	New York Hanseatic Corporation	New York, N. Y.
Homsey, Anson E.	du Pont, Homsey & Co.	Boston, Mass.
*Hudson, John M.	Thayer, Baker & Co.	Philadelphia, Pa.
*Hunt, George V.	McLaughlin, Reuss & Co.	New York, N. Y.
*Johnson, Marshall H.	McDaniel Lewis & Co.	Greensboro, N. C.
*Johnson, Walter R.	G. A. Saxton & Co., Inc.	New York, N. Y.
*Johnson, Jr., Wilbur E.	Johnson & Johnson	Pittsburgh, Pa.
*Johnson, Sr., Wilbur E.	Johnson & Johnson	Pittsburgh, Pa.
Kearns, Hugh or Collins, Philip	American Securities Corp.	Chicago, Ill.
Kearton, John G.	National Quotation Bureau	Philadelphia, Pa.
Kellermann, Howard L.	Alex. Brown & Sons	Baltimore, Md.
*Kelly, Edward J.	Carl M. Loeb, Rhoades & Co.	New York, N. Y.
Kennedy, Samuel M.	Yarnall, Biddle & Co.	Philadelphia, Pa.
*Kibbe, A. Payne	A. P. Kibbe & Co.	Salt Lake City, Utah
*King, Charles C.	The Bankers Bond Co.	Louisville, Ky.
*Knob, John E.	Drexel & Co.	Philadelphia, Pa.
Leahy, Crandon	National Quotation Bureau	Boston, Mass.
Lee, Alonzo H.	Sterne, Agee & Leach	Birmingham, Ala.
Long, Martin J.	The First Cleveland Corporation	Cleveland, Ohio
*Maguire, F. E.	Stroud & Co. Inc.	Philadelphia, Pa.
*Mason, Walter G.	Scott, Horner & Mason, Inc.	Lynchburg, Va.
*McCleary, G. M.	McCleary & Co. Inc.	St. Petersburg, Fla.
McDonald, Jr., Harry A.	McDonald-Moore & Co.	Detroit, Mich.
*Meyers, Jr., John J.	Gordon Graves & Co.	New York, N. Y.
*Miller, Don W.	Don W. Miller & Co.	Detroit, Mich.
*Moreland, Paul I.	Moreland & Co.	Detroit, Mich.
Moss, William F.	National Quotation Bureau	New York, N. Y.
*Muller, George J.	Janney & Co.	Philadelphia, Pa.
Murphy, Arthur C.	A. C. Allyn & Co., Inc.	Boston, Mass.
Murphy, Hal	Commercial & Financial Chronicle	New York, N. Y.
Newman, Leo F.	American Securities Corp.	Boston, Mass.
Nieman, Barney	Carl Marks & Co. Inc.	New York, N. Y.
*Ornstil, Sidney	Wm. J. Frankel & Co. Inc.	New York, N. Y.
*Phillips, Josef C.	Pacific Northwest Co.	Seattle, Wash.
*Pizzini, B. Winthrop	B. W. Pizzini & Co.	New York, N. Y.
Plumridge, Theodore E.	New York Hanseatic Corporation	New York, N. Y.
Roberts, Jr., William C.	C. T. Williams and Co. Inc.	Baltimore, Md.
*Roggenburg, Stanley	Roggenburg & Co.	New York, N. Y.
Ronan, Frank J.	New York Hanseatic Corporation	New York, N. Y.
*Runyan, Wallace H.	Hemphill, Noyes & Co.	Philadelphia, Pa.
*Schloss, Irwin	Carl M. Loeb, Rhoades & Co.	New York, N. Y.
*Schoettler, F. G.	Wayne Hummer & Co.	Chicago, Ill.
Sharp, Eliot H.	Investment Dealers Digest	New York, N. Y.
*Singer, Herbert	Singer, Bean & Mackie	New York, N. Y.
*Staib, Lee	George Eustis & Co.	Cincinnati, Ohio
*Stein, John R.	Wm. J. Frankel & Co. Inc.	New York, N. Y.
Strader, Ludwell A.	Strader, Taylor & Co. Inc.	Lynchburg, Va.
*Swan, Leslie B.	Chas. W. Scranton & Co.	New Haven, Conn.
*Tisch, Alfred F.	Fitzgerald & Co. Inc.	New York, N. Y.
*Topol, Robert M.	Greene & Co.	New York, N. Y.
Torrens, Robert A.	Harriman Ripley & Co. Incorporated	Philadelphia, Pa.
*Troast, Paul L.	New Jersey Turnpike Commission	New Brunswick, N. J.
*Vicino, Walter J.	Blyth & Co. Inc.	San Francisco, Cal.
*Wakely, Thompson M.	A. C. Allyn & Co., Inc.	Chicago, Ill.
*Walker, Graham	Joseph McManus & Co.	New York, N. Y.
Walker, Louis E.	National Quotation Bureau	New York, N. Y.
*Wallingford, Charles L.	H. M. Byllesby & Co.	Philadelphia, Pa.
*Welsh, Jr., Henry C.	Lilley & Co.	Philadelphia, Pa.
Williamson, E. Coit	Schmidt, Poole, Roberts & Parke	Philadelphia, Pa.
*Willis, Eugene F.	J. W. Tindall & Co.	Atlanta, Ga.
Zollinger, Jr., John J.	Scharff & Jones, Inc.	New Orleans, La.

*Mr. and Mrs.

Herbert H. Blizzard

GREETINGS FROM COL. BLIZZARD

Col. Herbert H. Blizzard (formerly Herbert H. Blizzard & Co., Philadelphia investment firm) reports that he and his family are hale and hearty in Japan where he has been stationed for some time. Col. Blizzard's address is Col. Herbert H. Blizzard, USAF, Box 431 Hdqrs. FEALOGFOR APO-323 c/o P. M., San Francisco, Calif.

UTAH SECURITIES DEALERS ASSOCIATION

Just recently elected officers and directors of the Utah Securities Dealers Association, new affiliate of the National Security Traders Association:

President—Edward N. Bagley, J. A. Hogle & Co.

Vice-President—Calvin P. Gaddis, Edward L. Burton & Co.

Secretary—F. M. Whitney, Whitney & Co.

Treasurer—Wendell Smoot, Jr., J. A. Hogle & Co.

Directors—Jack R. Coombs, Coombs & Co.; Sterling Larson, Havenor-Cayias, Inc.; James E. Reed, James E. Reed & Co.; Harrison S. Brothers, Harris S. Brothers & Co., and A. P. Kibbe, A. P. Kibbe & Co. (Past Pres.).

Edw. N. Bagley

Two With Paine, Webber

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert M. Hewlett and Albert S. Hutchinson have become associated with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges.

With Maine Inv. Service

(Special to The Financial Chronicle)

WATERVILLE, Maine—William H. Porter has become associated with Maine Investors Service, 76 Main Street. Mr. Porter was formerly with Bowers & Company. In the past he conducted his own investment business in Portland.

Blair, Rollins Name Changed To Blair & Co.

An old investment banking name is being restored with the announcement of the formation of Blair & Co., Incorporated, to succeed Blair, Rollins & Co., Incorporated. The first Blair & Co. was established in 1890. It has been identified with the investment banking and securities business in several corporate firms ever since.

Joshua A. Davis

Emmons Bryant

Joshua A. Davis, Chairman, and Emmons Bryant, President of the new Blair & Co., Inc., said a desire for corporate simplification was a primary consideration in adoption of the new title. "However," they said, "we are naturally proud to be able to continue this growing business under a name that has been favorably known for so long by securities firms, issuers and investors."

Davis and Bryant joined Blair, Rollins in January, 1953, after being with Reynolds & Co. 20 years.

"Opportunities for building a sound and prosperous investment business are as abundant today as they were when John I. Blair came to Wall Street and organized the first Blair & Co. over 60 years ago," they said in their announcement statement. "The challenges that waited upon him in the industrial, railroad and petroleum fields could be likened to economic growth potentials of today—in atomic energy, electronics, minerals and transportation—to mention a few. It is our hope that, with our contemporaries in the investment business, the present Blair organization can participate in supplying the capital that deserving and progressive companies and municipalities will need to meet the demands of future industrial and population growth."

Mr. Davis and Mr. Bryant also announced that negotiations for the acquisition of Ames, Emerich & Co., Inc., Chicago investment house since 1911, have been completed. As of Aug. 17, that firm is operating as the Midwest headquarters of Blair & Co., Inc. The latter has 27 other branch offices and is a member of the Midwest and Philadelphia-Baltimore stock exchanges.

Blair, Rollins & Co., Incorporated, was formed in 1950 as a merger of Blair & Co. and E. H. Rollins & Sons, Incorporated.

With Courts & Co.

(Special to The Financial Chronicle)

LEXINGTON, N. C.—Theodore A. Frye has become associated with Courts & Co.

Joins Bache Staff

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C.—John E. Setzer has joined the staff of Bache & Co. He was formerly with Harris, Upham & Co. and Thomson & McKinnon.

With Ohio Company

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Ned K. Barthelmas has been added to the staff of the Ohio Company, 51 North High Street, members of the Midwest Stock Exchange.

Better Food Marketing —A National Problem

By HON. WILLIAM S. HILL*
U. S. Congressman from Colorado

Member of House Agricultural Committee, stressing importance of economical food distribution, calls for narrowing of the spread between the price the farmer receives and the cost to the consumer. Says, though we have huge commodity surpluses today, our rapidly growing population will in a few years absorb this and, unless agricultural efficiency is improved, food may have to be imported. Decries wastes in food marketing and denies food costs are higher than in past years.

Progress by cooperation has been and must continue to be the basic fundamental in the development of business units in America.

It is estimated that the steadily increasing population of the United States will require at least 5,000 new super-market food stores within the next decade.


William S. Hill

The investment in buildings and equipment alone will run over one-half billion dollars.

Food distribution is a great business in America. This gigantic industry is an absolute necessity. If there is such a thing as "critical material," as classified in our Defense, certainly food distribution is a critical industry if our people are to be supplied with a proper type and kind of food. Only with a proper system of food distribution will our people be able to follow the general pursuits of their activities to earn a livelihood and continue to develop a standard of living and a way of life that can only exist under a free Government.

Keep in mind that our population is increasing at the rate of 2,500,000 people per year. Actually, this means that every year we are adding to our population a city the size of Los Angeles, Calif., plus a Louisville, Ky. Five years from now we will need an additional farm production equivalent to the entire annual crop output of Illinois and Iowa combined. And I am only including the actual food necessities.

No Likelihood Food Surpluses Will Continue

True, today we have huge commodity surpluses. But, our rate of population will soon catch up with our total agricultural production, and if I read the signs of the times correctly, we could in a short period of years be deficient in supplying proper types and kinds of food for our domestic market.

Undoubtedly the increasing efficiency of our food marketing systems has delayed the full impact of our population growth on the increasing use of farm products.

The spread between the price the farmer receives for his commodities and the cost to the consumer will be narrowed and reduced as properly developed markets become more efficient.

Marketing efficiency is of paramount importance and should increase the consumption of agricultural products in considerable quantities. The per capita consumption of meats, fruits, vegetables, milk, and eggs must be increased from year to year, and the records show that as yet one-third of our city families are not consuming enough of these items according to the best nutritional standards. By improving the present daily diet of this one-third of our urban population, we would create a new market for roughly five million people. This is your opportunity and responsibility in the immediate days ahead.

The battle against waste of fruit and vegetables must be carried on with unrelenting vigor. Food stores have accomplished wonders in this direction the last decade, but today is the day of opportunity.

Records indicate that 30% — almost one-third of all fresh fruits and vegetables—are lost between the farmer's production point and the consumer's kitchen. This is a terrific loss that could and should be greatly reduced. A recent study in South Carolina disclosed that only 57% of the tomatoes harvested in that State ever reached the consumer in any form.

You are familiar with the recently developed lettuce crate which curtails at least 20% of the transportation losses of lettuce. Other vegetables can be marketed with approximately the same improvement in care and handling.

Many additional dairy products could be channelled into human nutrition if they were properly marketed with new and up-to-the-minute cartons and modern methods of preserving the freshness.

Your Federal Government is spending more than $100 million a year in marketing research on this very importance item.

There are problems your organization must face and assist in solving if we are to keep abreast of the increasing population.

We owe a great deal to our food industry for its most historical achievement—a land of plenty, where the food shelves are always bulging with a varied and tempting supply of nutritious food. The entire food industry is justly and rightly proud of this achievement.

New Marketing Methods Needed

The days of the old marketing methods are over. The frontier trading posts that handled everything from a toothpick to furniture and farm equipment have long since disappeared. The IGA stores have replaced these posts. We have—certainly in my lifetime—seen a revolution in food distribution—and the end is not in sight.

The old "cracker barrel" days—the poorly kept, unlighted, filthy grocery store—have departed, and a good riddance indeed.

With the departure of the old frontier trading post, a revolution in transportation and food distribution developed side by side. With the development of national brands of goods and brand advertising, the local retailer threw off his old character and began the slow and uphill drive to become a modern merchant.

Millions of farm families who used to be self-sufficient, as far as their food supplies were concerned, now purchase food at the super-markets.

If my figures are correct, the number of grocery stores has almost doubled every 10 years since 1850. In 1870 there were 7,000 wholesalers in the United States, but by 1900 there were 93,000.

With the improvement in transportation and storage of fresh fruits and vegetables came also the frozen food industry, a specialty in itself, and one that is fast becoming a principal department of the grocery store.

Yes, distribution methods are in a fluid state—shifting, changing, expanding. These are ever-changing conditions that up-and-coming business firms of any type and kind must appreciate, and they must be able to adapt their operation to new demands as our country shifts directly from a rural population to cities and their fast-growing suburbs.

We Must Help the Farmer

As a member of the Committee on Agriculture in the House of Representatives, and as Chairman of the Select Committee on Small Business, I should like to discuss with you for a brief moment how your great organization of merchants is closely associated with, and certainly interested in the action of the legislative branch of your government as it concerns the detailed operation of the wholesale and retail food industry.

The farmers must produce food in abundance. The distributors must prepare the food for sale in a sanitary and appealing manner. The producer suffers when proper sales methods are not developed and the consumer lacks a balanced diet and finds the cost of food out of reach. So, the farmers have a keen interest in our system of food handling and distribution. At times it may appear that this relationship is remote—but we find this is not true upon closer examination.

The farmer and his family are heavy consumers and buy in abundance the food offered by the distributors. So, if the farmer receives a fair share of the national income and if he attains equality as the laboring man, a greater with other economic groups, such stability and a higher standard of living are results of this complete and total cooperation of the producer, the distributor and the consumer. In no sense can they be considered separate economic entities.

We continually hear about the high price of food, but the truth of the matter is, we are buying cheaper food in relation to the average family income than at any time in our history. And the food, remember, is better, cleaner and more appetizing, and affords a better diet than ever before in the history of the human race.

There must be on hand at all times sufficient food and fibre for our growing population. In case of drought, floods, pests, or in the event of war, food production must be held at a high level and an abundance of food in the market place is essential.

In 1953 the consumer could buy for 18% of his annual income the same food that in 1933-39 cost him 23.8% of his income.

Our Committee on Agriculture, in its report to the House on the new farm bill, presented figures prepared by government economists to show that consumers get more and better food at a less percent of their wages at the grocery today than ever before.

In 1914 the average factory employee could buy three and one-half pounds of bread with an hour's earnings; in 1929 he could buy six and four-tenths pounds; and in 1953 he could buy ten and seven-tenths pounds of bread with an hour's earnings.

Time permits no further discussion of this phase of food production, distribution and consumption.

Some Recent Legislation

In closing, just a few brief remarks on recent legislation in which you are keenly interested. Time prohibits detailed analysis.

(1) The tax revision bill, the first complete overhaul of our tax legislation in 75 years. These should interest you:

(a) Credit deductions on instalment purchases up to 6%;

(b) Taxation of pensions and annuities reduced;

(c) Dividend credit of $50 excluded from taxation and a credit against a tax equal to 4% of the balance;

(d) Depreciation, the write-off cost of new equipment. The taxpayer would be able to write-off twice the amount now allowed;

(e) Tax accounting rules brought into harmony with business accounting;

(f) Extension of net operating loss carryback to two years;

(g) Lessening of the penalty tax on certain accumulated earnings in order that business, especially small businesses, may have greater freedom in retaining their funds for legitimate business purposes.

In summation, the 10% reduction in Federal income taxes which took effect last Jan. 1 saves individual taxpayers a total of $3 billion annually.

Two billion tax dollars are saved by elimination of the excess profits tax.

The excise tax reduction law saves taxpayers an additional $1 billion.

The tax revision act will save taxpayers $1.4 billion.

A total of $827,000,000 of this tax relief is for individuals. The remainder, $536,000,000, is tax relief for business.

The overall tax-cut program will save $7.4 billion. Of this amount, individuals receive an overall total tax saving of $4.7 billion. These tax savings surpass any previous total in the history of Congress.

Other Legislation

(2) Overhauling and modernizing of our nation's highway system—a $50 billion program.

(3) The 1954 Agricultural Act.

(4) Revision of Social Security legislation.

(5) Balancing of the budget now within 75% of accomplishment.

Many, many more legislative acts could be discussed, but just a word in closing on the Small Business Administration. The SBA as it is usually called was created to give financial, managerial, and technical assistance to business-men like yourselves. It is the first peacetime legislation designed specifically for small business. It is becoming increasingly apparent to Americans everywhere that when the opportunity for business to begin small and grow big is eliminated, the American economy and the system of free, competitive enterprise will have been effectively destroyed. The opportunity must continue for small business to grow strong and prosper.

*An address by Congressman Hill before the Annual Convention of the Independent Grocers Alliance, Chicago, Ill., Aug. 9, 1954.

N. Y. Hanseatic Opens Philadelphia Branch

PHILADELPHIA, Pa. — New York Hanseatic Corporation announces that it is opening a branch office in the Lincoln Library Building in Philadelphia, with a direct wire to New York. Newton H. Parkes, Jr., and William R. Raditzky will be associated with the firm in the new Philadelphia office, the announcement stated.


N. H. Parkes, Jr.

Mr. Parkes was formerly with Arthur L. Wright & Co., Inc., in the corporate trading department.

Paul V. Miller With Bache in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul V. Miller has become associated with Bache & Co., 135 South La Salle Street. Mr. Miller was formerly with Reynolds & Co. and prior thereto was Manager of the municipal department in the Seattle office of J. R. Williston, Bruce & Co.

Charles D. Evans Is With G. H. Walker Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Charles De F. Evans has become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Evans was formerly an officer of Redden and Company.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla. — Paul R. Coloney is now associated with Goodbody & Co., 512 Tenth Street, West. He was formerly local manager for A. M. Kidder and Co.

Two With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—I. Perry Biel[illegible] and Lynn B. Spiers have become affiliated with Francis I. du Pont & Co., 121 Southeast Second A[illegible].

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Ceryl E. Black has been added to the sta[illegible] of Francis I. du Pont & Co., 28[illegible] Collins Avenue.

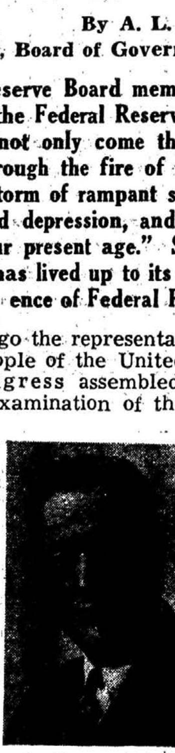
The Federal Reserve Has Stood the Test of Time

By A. L. MILLS, JR.*

Member, Board of Governors, Federal Reserve System

Federal Reserve Board member reviews the four decades of history of the Federal Reserve System, and contends the System has "not only come through, but helped to bring this country through the fire of two devastating world wars, the battering storm of rampant speculation, the corrosive calm of unparalleled depression, and the social and economic turbulence of our present age." Says System has grown with the times and has lived up to its responsibilities. Urges independence of Federal Reserve be preserved.

Forty years ago the representatives of the people of the United States, in Congress assembled, completed an examination of the banking system as then organized and found it wanting. The deliberations of the Congress thereupon resulted in the passage of the Federal Reserve Act and its signature by President Wilson into law on Dec. 23, 1913. For the United States a new concept of banking was then established—"central banking," or perhaps more accurately, "reserve banking"—which drew for its origins on the First and Second Banks of the United States and on the long experience of European nations.



A. L. Mills, Jr.

With the passage of 40 years, the time is appropriate to assess the value to the United States of the concept of banking that was thus formulated—the Federal Reserve System. Searching questions must be asked:

(1) Has the Federal Reserve System, a decentralized central banking system, served the purposes for which it was created?

(2) Has the Federal Reserve System grown with the times?

(3) Has the Federal Reserve System lived up to its responsibilities?

Primarily, the answers to these questions lend themselves to general rather than specific answers. During the 40 years of its existence the Federal Reserve System has not only come through, but helped bring this country through the fire of two devastating world wars, the battering storm of rampant speculation, the corrosive calm of unparalleled depression, and the social and economic turbulence of our present age.

For any national institution to have met the problems with which it was confronted in these four decades and in the process to have maintained public confidence—as I believe the Federal Reserve System has—is a testimonial to the genius of its creators and to the dedicated men and women who have stood steadfast in their resolve that this institution should unswervingly serve the public interest.

A Decentralized Central Banking System

First of all, survival unscathed over the past 40 years is proof that the concept of a decentralized central banking system is in keeping with the American way of life. The organization of 12 Federal Reserve Banks, each located in a distinct geographical district of the continental United States, and each operated by a board of directors and officers representative of the economic interests of the district, has made possible the kind of interdistrict exchange of opinions and merging of judgments that has led to the development of truly national monetary and credit policies. The Federal Reserve System is deeply indebted to the private citizens who have given freely of their time and energy to serve on the boards of directors of the 12 Federal Reserve Banks and their branches. The System's contribution to the nation's over-all economic progress would have been far less in their absence.

Any national institution that looks beyond its own official circle for guidance and the critical stimulus of outside opinion must, of course, possess the coordinating ties of a continuing expert personnel that keeps the purposes and functions of the institution clearly in the vision of those who are more temporarily recruited to its ranks, while at the same time drawing on the freshening outlook of their individual experiences. The Federal Reserve System has been fortunate in having an official personnel devoted to the public service—one that, in association with the public-spirited citizens who have served on the boards of directors of the Federal Reserve Banks and on the Federal Advisory Council, has provided a blend of public and private direction that has been of immeasurable value. It is safe to say that there is general agreement that the Federal Reserve System has satisfied the concept of a decentralized central banking system that was envisioned by its founders.

If, then, it can be agreed that the Federal Reserve System is structurally acceptable, has it grown and progressed with the times? The genius of the Founding Fathers of the Constitution of the United States of America supplied a document whose stated principles are unchallengeable in their fairness to the rights of man. And yet that document has of itself become a framework into which can be fitted a democratic people's evolving theories of government without sacrifice of fundamental principles, but, rather, with those principles more firmly established with the passage of time.

Within a lesser sphere and span of years, somewhat the same claim can be made for the Federal Reserve Act. The administration of the Federal Reserve Act has from the outset undertaken to serve the requirements of commerce, industry, and agriculture as expressed through the medium of the commercial banks in meeting the credit needs of their customers. It was originally planned that the Federal Reserve Banks would provide the national economy with an elastic currency whose stabilizing influence would greatly mitigate the wide economic fluctuations which had been experienced in the past.

Preventing Financial Disturbances

Although progress was made in this direction, the experience of two wars, rampant speculation, spiraling depression, and an armed and unstable peace showed that these expectations exceeded the power of attainment. Therefore, there came to be a gradual awareness that the Federal Reserve Act should be directed more toward preventing the kind of financial disturbances it had been designed originally to cure. This led to amendments of the Act and to the adoption of administrative procedures, all within the spirit of the original legislation, that have kept Federal Reserve policies and practices closely attuned to the needs of the day. Throughout its history, experience has been the Federal Reserve's best teacher, as, for example, when it learned the practical lesson that the too rigid definition of eligible paper prevented fulfillment of its true central bank mission of "banker of last resort."

From the lesson of this experience came the Banking Act of 1935 and its authority to the Federal Reserve Banks to make loans to member banks "on notes secured to the satisfaction of such Federal Reserve Banks." This provided insurance against a contraction of bank credit feeding on itself as a consequence of bank liquidity problems. At the same time, it allowed the Federal Reserve Banks an area of discretion through adequate bank supervision sufficient to forestall improvident banking practices that, if not checked, would lead to the accumulation of paper that could not qualify as security for Federal Reserve Bank loans.

More Flexible and Effective Use Of Open Market Operations

In much the same way that these lessons of adversity strengthened the Federal Reserve System's capacity for public service, the accumulation of Federal debt in depression and war has led to a more flexible and effective use of open market operations as a means for fostering stable economic conditions. Changes in the discount rate and in reserve requirements were familiar instruments of Federal Reserve monetary and credit policy before the full import of the usefulness of open market operations came to be understood. As, however, the techniques of open market operations were mastered both in the United States and abroad, there came central bank appreciation that the ability to increase or reduce the cash reserves of the commercial banking system in this manner also embodied the ability to encourage or discourage the use of bank credit.

Given the enormous volume of a nation's business transactions that are carried on through the use of credit, it follows that monetary policy, by fixing the boundaries within which bank credit can expand or contract, exerts a powerful influence on businessmen's decisions and hence on business conditions. The Federal Reserve System's monetary and credit policy in recent times has illustrated the uses to which open market policy can be put, first, in acting to restrain the use of credit so as to damp down the threat of inflation, and then in acting to ease credit so as to combat recession.

The answer to the question, "Has the Federal Reserve System grown with the times?" would assuredly seem to be yes. Its growth has been by way of adaptation to changing economic circumstances in ways that have put to constructive use the lessons learned from experience, to the end that monetary policy can be used to anticipate and forestall the recurrence of conditions that are inherently destructive to the maintenance of a stable, yet progressive, economy.

To be sure, the Federal Reserve System has also grown physically with the times. Considering the growth of the national economy, it could not be otherwise, but this physical growth has been limited strictly to functional necessities and has not been the product of any ambitious desire for added power or authority. It is in moral stature, rather than in physical size, that the Federal Reserve System has really grown with the times, if we may judge from the apparent public acceptance that the performance of the Federal Reserve System over the years has met the standards and hopes of its creators. Most people appear to recognize that the Federal Reserve has, at the least, made a conscientious effort to discharge its duties impersonally and impartially and to work in the interest of the public as a whole.

The Record Is Not Flawless

The record, like that of other human institutions, is by no means flawless. Hindsight delineates the faults in even sharper perspective. Certainly no friend of the System would like to claim that it has been or can be infallible. Yet it seems fair to appraise its record as one of useful, necessary, and valuable public service.

That the Federal Reserve System has a good name redounds to the lasting credit of the men and women who are enlisted in its service. If the Federal Reserve System has lived up to its responsibilities, and I believe it has, it is because of the high morale of its personnel, which has meant the subordination of person to cause and a willingness to contribute as a group to objectives decided upon by debate, trial, error, and accomplishment.

Over the years a national institution develops a character of its own whose strength is the product of its accomplishments and the reflection of the individual personalities who go to make up its collective whole. Respect for character is in itself a reward and can be shown in diverse ways. In my opinion, the Federal Reserve System's reward for public service is to be found in the willingness of the public to accept its independent judgments even though they may at times be vexatious to large groups. This is not to say that Federal Reserve actions should not be challenged or to claim for its judgments more than a high average of correctness. It is only to say that the public seems to have been convinced that these actions and judgments were arrived at honestly and, when and where they have been found to be in error, corrective steps have been taken promptly.

Keep an Independent Federal Reserve

If, however, the Federal Reserve System is to continue to merit public confidence, its independence of action must be preserved. The Federal Reserve System is a governmental institution and as such must be attentive to the over-all policies of the national government. But, being delegated authority by the Congress in the specialized field of monetary policy, it is essential for the Federal Reserve System to exercise that authority so as to discharge the responsibility it must bear alone. That means, among other things, the System must be able to voice its professional views and opinions with such sound reasoning that they will be generally accepted as fitting and proper, and thus assure monetary policy a harmonious part in the composite of current governmental policy. The essence of effective Federal Reserve policy lies in this authority independently to decide and carry out policy judgments manifestly designed to serve the best interests of the general public.

In conclusion, it must be said that the Federal Reserve System cannot continue to justify the public confidence it now enjoys unless it adheres firmly to certain cardinal principles that have characterized its past history:

(1) Its actions must always be understandable.

(2) Public scrutiny and criticism of its policies must always be invited.

(3) Its policies must be based upon and justified by their logical reasonableness, and never by other considerations.

(4) The kind of institutional conservatism that resists warranted change must be shunned at the same time that the influence of some caprice of the moment is avoided.

(5) The Federal Reserve System must unremittingly discharge its duties solely in the general public interest.

The Federal Reserve System has, I believe, met the test of public service and responsibility for 40 years by holding fast to the principles for which it was created, while at the same time enlarging the horizon of its operations to meet the challenge of changing conditions. On the roots of its past, it will grow in the future.

*An address by Mr. Mills before the West Virginia Bankers Association, White Sulphur Springs, W. Va., July 23, 1954.

Richard J. Wallace With Cruttenden & Co.

Richard J. Wallace

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard J. Wallace is now associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Wallace was formerly with La Salle Securities Co., Paine, Webber, Jackson & Curtis and Dempsey-Tegeler & Co.

Teden Offers Republic Gas & Uranium Stock

Teden & Co., Inc., New York City, are offering publicly an issue of 1,190,000 shares of common stock (par five cents) of Republic Gas & Uranium Corp. at 25 cents per share "as a speculation." The net proceeds are to be used to pay for exploration and development expenses.

Joins A. S. Krakover

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Israel Zuckerman has become connected with A. S. Krakover Brokerage, 1355 Hooker.

With Stone, Moore

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Kathleen F. May has joined the staff of Stone, Moore and Company, U. S. National Bank Building.

Joins Lawson Staff

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—Albert L. Albright has joined the staff of Victor J. Lawson & Co.

Form Estates Inv. Co.

WASHINGTON, D. C.—Estate Investment Company has been formed with offices in the Wyatt Building to engage in a securities business. Roy H. Woodside is a Principal of the firm.

MICA Fund Dist. Opens

MICA Fund Distributors, Inc. is engaging in a securities business from offices at 32 Broadway, New York City. John G. Haslam is a Principal.

Fall Business Will Be Good: Heimann

Henry H. Heimann, Executive Vice-President of National Association of Credit Men, lists several favorable signs which indicate stimulation of business.

Fall business should be a bit better, in fact very good in terms of the more normal competitive conditions of today, Henry H. Heimann, Executive Vice-President of the National Association of Credit Men, predicts in his Monthly Business Review. "Those who work hard and enjoy the pleasure of winning in a competitive economy will not be heard complaining," he adds.


Henry H. Heimann

The business economist, weighing a number of favorable indices against the unfavorable, concludes that the "present readjustment will be mild," and notes that the expected fall improvement "will not wholly rest upon a natural economic foundation" for "there is some artificial stimulation and propping" by the government "to hold it up."

Among the favorable signs he lists the following:

"Our inventory adjustment has been a sound development. Commercial inventories have been trimmed to where replacements will be in order in the not too distant future."

He calls attention to the new tax bill as a help to business and individual, to the increase (though slight) in retail sales of automobiles, to the outlook for fewer strikes, to the fact that "commercial exports, as distinguished from defense and other governmental exports, are doing better than anticipated."

"The construction boom may have reached its peak," the analyst comments, "but it is well to remember that in the housing field two-thirds of our dwellings are said to be over 20 years old and 50% over 30 years old.

"The confidence of the consumer is indicated by a return of his willingness to increase his debt. The decline in instalment debt has been slightly reversed.

"Unemployment seems at least stabilized, the textile business should look up," and the tourist trade "will probably be the greatest we and Europe ever experienced."

A "reasonably high rate" of government spending for defense purposes also is predicted, with "fewer cuts for the fiscal year 1955."

Mr. Heimann also emphasizes that retail sales, "measured over a period of years, are holding up at a very good rate."

On the debit side, he cites the continuing decline in business loans, the sharp drop of mail order business reflecting the lower farm income, the increasing business failures as expected after a defense era, a low backlog of machine tool orders, the estimated 10,000 discount houses with $8 billions sales, and the world situation, "anything but comforting."

Nevertheless, measuring these elements in the overall balance sheet of business, the economist-executive evaluates 1954 as "a good year, far better than the average in a competitive economy."

Dairy Industry Victim of Bad Publicity

Prof. F. A. Pearson, of Cornell University, tells the Graduate Bankers Agricultural Seminar more and better advertising by dairying interests is needed, and, by maintaining a favorable price to the consumer, the purchase of fluid milk could be increased.

Addressing the Graduate Bankers' Agricultural Seminar at Ithaca, N. Y., on Aug. 10, F. A. Pearson, Professor of Agricultural Economics at Cornell University, decried the pessimism surrounding the fluid milk business and laid the cause of the gloom of milk producers to bad and inadequate advertising.


Dr. F. A. Pearson

Pearson declared that the world's sharpest shopper, the housewife, knows milk is a drink with distinction! She may crab about the high price of milk but she knows it is inexpensive compared with other foods and she buys more and more of it; and he added: "A favorable price is the most important factor causing increased purchases of milk."

"There is a lot of pessimism surrounding the fluid milk business today that is merely a reflection of the butter gloom and has no basis at all," Prof. Pearson charged. "Furthermore, most of this bad publicity has been generated by the dairy interests. These 'apostles of gloom' should learn that continued pessimism and a negative outlook have no place in selling a product."

An example in the highly competitive automobile world was given by Prof. Pearson to the dairymen to follow in their advertising. The Chrysler Corporation does not advertise the fact that the Plymouth car has lost position relative to the Ford and Chevrolet. Ford, on the other hand, does advertise that it is gaining position.

"There are pessimists in the dairy world who would have us believe that fluid milk has been out-sold, out-maneuvered, out-this and out-that. This is not true," declared the Cornell professor.

To support his contention he pointed out that in the highly competitive food market the consumption of milk relative to all foods during the fifties was 17% greater than during the prewar days. This striking increase was due to an equally striking 21% decrease in the retail price of a quart of milk relative to all foods.

Professor Pearson believes that this decrease in retail price of milk was a result of increased efficiency on the part of the dairyman and distributor.

Although there has been a decline in the price dairymen receive for whole milk for fluid consumption, increased sales have kept his income substantially unchanged.

"The milk distributor may also be proud of his record," asserted Pearson. "Of all the products examined, meat was the only one that matched the decreased costs of marketing a quart of milk."

Goodbye to Controls!

By GORDON CUMMINGS

Mr. Cummings maintains greatly accelerated process of decontrol has left only small part of the U. K. economy subject to any kind of restriction. Reports that in raw materials, only controls still in effect apply to jute and manila hemp, newsprint and papers, and tinplate and iron and steel scrap; and that almost all rationing and price controls on personal consumption have disappeared. Describes exchange control as being steadily relaxed.

LONDON, Eng.—The ending of meat rationing in Britain last month marked the latest stage in the scrapping of the controls which have governed British economy since 1939. The process of decontrol has greatly accelerated in the past two years, and its range has been so extensive that only a small part of the United Kingdom economy is, in fact, now subject to any kind of restriction. Further relaxations are scheduled or are only a matter of time.


Gordon Cummings

The widespread material controls built up by the United Kingdom Government from the early war days were, broadly speaking, either quantitative or monetary, or a combination of both. Rationing, licensing, quotas and bulk buying came mostly within the first category. Price control and taxation, as a means of indirect reduction of personal spending, were the main instruments for the second. Both were fitted in with a system of financial controls over currency dealings, capital investment, import and export trade and so on, all designed to prevent the public of Britain spending and buying more than could be afforded in the difficult war and postwar years.

One would need a book to list the full range of these controls and restrictions. An outline of the main changes over the last two years can, however, give an indication of the wide scope of the government's controls and thus of the many freedoms now restored.

More Plentiful

On the production side, virtually all raw materials, price and user controls have been ended as materials have become more plentiful. There have also been considerable relaxations of building controls. For example, industrial and agricultural building work, for many years most severely restricted, is now license free up to the value of £25,000 ($70,000) per project, while licensing for construction of houses up to 1,500 square feet in area is automatic. The only remaining labor control is that employers in most industries are required to notify vacancies to, and engage workers through, Employment Exchanges. This is to ensure that the more important jobs do not remain unfilled simply because people seeking employment are not told about them.

The utility schemes, which closely linked price control with the maintenance of definite quality standards for necessary clothing, household textiles, furniture and footwear, were ended more than two years ago. In the field of raw materials, the only controls still in effect apply to raw jute, jute goods and manila hemp, newsprint and certain paper; the buying and selling of tinplate and iron and steel scrap (excluding tungsten steel scrap).

A large number of the agricultural price controls and allocation schemes have been ended, and the importation of cereals, feeding stuffs and other items have been returned to private hands. Government concern in the industry is today mainly limited to price guarantees and other incentives to encourage home production of foodstuffs.

Restoring Private Trade

Almost all rationing and price controls on personal consumption have disappeared. Price control of consumer outlays dropped from about 70% in 1951 to about 40% at the beginning of this year. That proportion is now much lower, since food rationing has come to an end, for in this big and important group only the prices of bread, milk and potatoes are fixed.

The freeing of production and consumption has, as its counterpart, the restoration of private trading and the reopening of Britain's international commodity markets, such as the Liverpool Cotton Futures Market on May 18, for full or limited trading. Since 1952, 14 important groups of foodstuffs have been completely or partially restored to private trading, including tea, rice and, partially, coffee and sugar. In the same period 14 raw materials, among them lead, copper, fertilizers and softwoods, have been added to those commodities which can be bought and sold freely in London. By end-1954 few items will be tied in any way, and among foodstuffs the only important items likely to be still imported by the government will be sugar and bacon.

As trade has been decontrolled, so import licensing has been reduced to a minimum and this minimum only retained to safeguard the balance of payments. Private importers have been given the greatest possible freedom to import from any source. The balance of payments position has demanded the retention of some quantitative restrictions on many goods, especially dollar imports. But even these are now much slighter than they were two years ago and every effort is being made to cut these remaining restraints as far as the monetary position allows. Control of exports has been greatly reduced and is now confined mainly to goods of strategic importance, home-produced capital goods in short supply and dollar re-exports.

Aim Is Complete Freedom

On the financial side, exchange control, which applies only to transactions with countries outside the sterling area, is being stearily relaxed. Authorized banks can now deal in dollars; arbitrage in the more important European Payments Union currencies has been resumed; concessions have been made in the use of certain blocked sterling; the London Gold Market has been reopened on a restricted basis; and investment in manufacturing projects, and sound, promising investment propositions have been encouraged.

Thus, in manifold ways Britain's economy has been, and continues to be, freed from controls. The aim is, of course, complete freedom to produce, buy and sell. Further progress towards this goal will be governed largely by the degree of international cooperation that is forthcoming in the establishment of world conditions of freer trade and payments.

Investment Women of Phila. Dinner Meeting

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its first dinner meeting of the 1954-55 season in the Regency Room of The Barclay Hotel on Monday, Sept. 20, at 6:15 p.m.

The guest speaker will be Miss June McAdams, owner and director of the June McAdams Model and Finishing School, Philadelphia, who will speak on "Dress and Decor for the Investment Woman."

N. J. Credit Union League

ELIZABETH, N. J.—The New Jersey Credit Union League, Inc. is engaging in a securities business from offices at 421 Morris Avenue. William Whitehead Houghton is a Principal of the firm.

Utah Uranium Brokers

SALT LAKE CITY, Utah — Utah Uranium Brokers has been formed to engage in a securities business. Verne H. Eliason is a Principal of the firm which is located at 2680 South 20th East.

Cady, Roberts Admits

Cady, Roberts & Company, 488 Madison Avenue, New York City, members of the New York Stock Exchange, will admit Serge Klotz to limited partnership on Sept. 1.

Eisenhower Optimistic on Business Outlook

In statement issued from the White House, President recites series of statistical data in which there are "numerous signs of economic improvement," together with indications that "the recent decline in economic activity has come to a halt."

President Dwight D. Eisenhower, on Aug. 12th, made public a statement setting forth the mid-year economic conditions. In this brief statement, the President included a set of statistics, which, he indicated, shows the nation's economy during his Administration has been in a more prosperous condition "than during any earlier time."

Pres. Eisenhower

The text of the President's statement follows:

(1) The paramount fact about the economy at mid-year is that the recent decline in economic activity has come to a halt. For the last six months, the Federal Reserve index of industrial production has moved within an extremely narrow range. At the beginning of the year the index stood at 125 (average 1947-'49=100). In March and April, the index registered 123; in May and June, 124.

(2) In view of this narrow range of fluctuation in total industrial production during the past six months, we may justly take an average of the past six months as indicative of the recent level of economic activity. It then becomes of interest to compare this level with that attained by the economy during the first half of 1953, when our nation was enjoying the greatest prosperity we have yet known.

(3) Making that comparison, we find that industrial production has been running 8.1% lower in 1954 than in 1953. But in forming a judgment about the state of the economy, we must bear in mind that the widely used Federal Reserve index of production covers only manufacturing and mining; that it omits construction, agriculture, transportation, and the great range of personal services; and that the omitted parts are much more important sources of employment than the included parts. It is desirable, therefore, to look at more comprehensive measures or indicators of economic activity.

Major Indices

(4) The most significant of these measures are the following:

(A) **Gross national product**—which expresses the dollar value of the nation's total output of commodities and services.

(B) **Non-agricultural employment** (as estimated by the Bureau of Labor statistics) — which expresses the number of wage and salary workers in business establishments outside of agriculture.

(C) **Personal income**—which is simply the sum of all individual and family incomes.

(D) **Disposable personal income**—which is simply the sum of all individual and family incomes minus personal income tax payments.

(E) **Bank debits outside New York City**—which express debits to individual and business bank accounts, and thus measure the flow of money payments in industrial, commercial, and to some degree, financial transactions (New York City debits are omitted because they are dominated by financial transactions).

(5) When we now compare the first half of 1954 with the first half of 1953, we obtain the following results:

	% Change*
Gross national product	—2.7
Non-agricultural employment	—2.6
Personal income	+0.2
Disposable personal income	+1.4
Bank debits outside N. Y. City	+0.9

*From first half of 1953 to first half of 1954.

Small Overall Decline

It is fair to conclude from these facts that the recent economic decline, on an overall basis, has been very small. This conclusion will not be changed if we take account of the increase in population. Thus, while the total disposable personal income increased 1.4%, the disposable personal income per capita declined merely 0.3% between the first half of 1953 and the first half of 1954.

(6) In judging the performance of the American economy during 1954, we have taken the first half of 1953 as the standard. It may help us to see the current state of the economy in better perspective if we go one year further back. The first half of 1952 was not characterized by the same intensity of activity, but it was the best year we had experienced prior to 1953. Therefore, while 1952 does not provide us with as high a standard as 1953, it still constitutes a very high standard.

(7) If we now compare the first half of 1954 with the first half of 1952, the showing of the rather broad indicators to which we have already referred is as follows:

PER CENT CHANGE
(From 1st half 1952 to 1st half 1954)

Industrial production	+3.3
Gross national product	+4.4
Non-agricultural employment	+1.1
Personal income	+7.2
Disposable personal income	+8.8
Per capita disposable income	+5.3
Bank debits outside N. Y. City	+10.2

Every one of these indicators shows a rise, and some of the increases are not small.

Since 1952 was the best year before this Administration took office, it follows that economic activity of late has been higher than at any time before this Administration assumed responsibility. And since 1953 was a still better year than 1954 is turning out to be, it follows that the overall performance of the American economy thus far during this Administration has been better than during any earlier time.

Stable Price Level

(8) Some of the economic indicators used above are expressed in a physical unit, others in a monetary unit. It is well, therefore, to say a word about the price level.

When we compare the first half of 1954 with the first half of 1953, we find that the index of wholesale prices is up 0.8% and that the index of consumer prices is up 1.1%. Not only are these increases tiny, but our measures of price movements fail to take account of discounts, concessions, bargain sales, etc., that have been a significant feature of recent markets. If we allow for these developments we can surely say, without the slightest fear of contradiction, that the value of the people's money has remained entirely intact.

This conclusion also holds if we carry comparisons one year further back—that is, if we compare the first half of 1954 with the first half of 1952. On this basis, the index of wholesale prices is down 1.3% and the index of consumer prices is up 1.9%.

(9) Let us take note of another fact, namely, that while recent economic activity has been at a high level and the value of the dollar has been stable, the increase in wages—which is one of the principal expressions of the progressiveness of the American economy—has continued.

Average hourly earnings have moved as follows:

	% Chge. from 1st half 1952-1954	1953-1954
Mfg. total	+ 9.1	+ 2.9
Durable	+ 9.2	+ 2.2
Non-durable	+ 7.8	+ 3.8
Building construct.	+13.3	+ 5.3
Retail trade	+10.8	+ 4.3

(10) The above statistics suggest a high—or even an improving—state of economic welfare. An economic historian of an earlier generation, if confronted with facts such as these, would have felt no hesitation in describing recent times as a period of great prosperity. And if our imaginary historian had stopped to take account of the difficulties of shifting from a war to a more nearly peace economy, with government expenditure on national security dropping nearly one-fifth in a year, he might well have described the last year or two as a time when economic miracles were being wrought.

(11) Not all of our contemporaries, however, are describing the performance of the American economy in these lyrical terms. The reason is partly that a decline occurred after July, 1953, in economic activity particularly in employment, and that the thinking of many people is geared to the concept of uninterrupted progress. The reason is partly that this rather minor decline has been better advertised than many major declines of our past. The reason is also that, while the decline has been small on an over-all basis, it has affected seriously some industries, communities, and groups in our society. Factory employment, particularly in the durable goods industries, has suffered, while agricultural prices and incomes have shown the adverse effects of shrinking export markets and unbalanced production.

(12) Unemployment is now greater than during the time of the Korean War, as the following figures indicate:

UNEMPLOYMENT AS PER CENT OF CIVILIAN LABOR FORCE

	1949	1950	1951	1952	1953	1954
Jan.-Mar.	5.0	7.2	3.8	3.2	2.8	5.5
Apr.-June	5.4	5.2	2.8	2.7	2.3	5.2
July	6.4	5.0	2.9	3.0	2.4	5.1

It is clear, however, that unemployment in recent months has not been larger than during comparable months in 1949 and 1950.

Retail Sales Rising

(13) Moreover, the rate of unemployment has shown some tendency to diminish of late. This is one of numerous signs of economic improvement. Retail sales have recently been rising again. Business expenditures on capital expansion and improvement are continuing at a high rate. New construction contracts are running well above the level of a year ago. Inventories have been reduced and are now in better adjustment to current sales. The financial markets have been displaying great strength. The level of business and consumer confidence in the economic future is high and improving.

(14) The standards that our generation apply to the performance of an economic system are very different from those that our fathers applied and even different from those that we ourselves applied only a few years ago. It is a good thing that our standards are higher. Great economic and social achievements will not be made unless we are sensitive to the need for making them.

The economic program being enacted by the present Congress marks a milestone in constructive legislation. It will help to reduce unemployment and to stimulate enterprise and development in all directions. In the months and years ahead, we must continue to bring knowledge, cool judgment and a concern for people to the consideration of economic problems. In the measure that we do this, we may look forward with great confidence to the future.

Nebraska Inv. Bankers Annual Bond Party

OMAHA, Neb. — The Nebraska Investment Bankers Association of Omaha and Lincoln have scheduled their 1954 annual bond party for Thursday, Sept. 23 at the Omaha Country Club with a cocktail party for out of town guests to be held Wednesday evening, Sept. 22.

Willard A. Johnson, Merrill Lynch, Pierce, Fenner & Beane, is chairman of the event for this year.

With Cantor, Fitzgerald

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Julius Reitkopf has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Joins Harris, Upham & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—George E. Roosevelt has been added to the staff of Harris, Upham & Co., 137 El Camino Drive.

With Investors Realty

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William C. Black and James M. Lavin have been added to the staff of Investors Realty Fund, Inc.

With Pacific Western

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Elsie H. Christensen has joined the staff of Pacific Western Securities, Inc., 634 South Spring Street. Miss Christensen was previously with Bateman, Eichler & Co.

With William E. Conly, Jr.

(Special to The Financial Chronicle)

LONGMONT, Colo. — Burton Ray has become affiliated with William E. Conly, Jr., 518½ North Main Street.

Joins Louis A. Vila

(Special to The Financial Chronicle)

WESTMINSTER, Colo. — James A. Smith has joined the staff of Louis A. Vila, 7618 Raleigh Street. He was previously with Waddell & Reed, Inc.

Connecticut Brevities

Manning, Maxwell & Moore, Inc. is constructing a new plant in Danbury for its aircraft products division. The $300,000 plant is expected to be completed in August.

* * *

Four Connecticut producers of rubber and related products are among more than 20 such companies which have formed a syndicate known as American Synthetic Rubber Corporation to purchase a synthetic rubber plant from the government. The Connecticut firms are **Raybestos-Manhattan** in Stratford; **Seamless Rubber Company** of New Haven, **Sponge Rubber Products Company** of Derby; and **Goodyear Rubber Company** of Middletown. The last named firm has recently opened a new $200,000 plant for production of new lines of rubber footwear and plastics products.

* * *

Flexible Tubing Corporation has started work on additional warehousing and shipping facilities at its Guilford plant. The new plant will include modern materials-handling devices.

* * *

The Bullard Company's plant in Bridgeport is currently being expanded by the addition of a $6,000,000 foundry addition. This will enable the company to produce its entire casting requirements.

* * *

R. Wallace & Sons of Wallingford, manufacturers of silverware, has recently formed a new subsidiary under the name of **Wallace Aviation Corporation.** The new company will produce components for jet aircraft engines.

* * *

A new $1,000,000 plant will be constructed in Windsor Locks for **C. H. Dexter & Sons, Inc.** It will house a new paper making machine as well as equipment from the rewinding, shipping and storage departments. The company specializes in production of long-fiber papers.

* * *

The New Britain Machine Company recently offered stock to its employees at a price of $24.98 a share. The entire 5,000 shares were subscribed for.

* * *

Operations have commenced at the new tube mill of **Bridgeport Brass Company.** The company also announced that it will introduce in the Eastern market a new line of kitchen utensil featuring both copper and stainless steel.

* * *

Eastern Industries, Inc. has called its entire issue of 6% cumulative convertible preferred stock series A for redemption on August 17, 1954 at $10.50 plus accrued dividends, payable at the Irving Trust Company, New York. Prior to Aug. 16, the stock was convertible into 1.5 shares of common.

* * *

A. C. Gilbert Company of New Haven has made arrangements for the long-term lease of a new warehouse under a sale-leaseback plan. The company also announced at the stockholders meeting on July 20 that some 15 new agencies have been added to those selling its electrical appliances.

* * *

Gray Manufacturing Company has recently developed a new dictation instrument which it has called Phon Audograph III. The machine which is in the low priced field utilizes a single centrally-located recorder, to which can be connected from one to 12 individual dictating instruments resembling standard telephone handsets.

In Praise of the New Housing Act

By NORMAN P. MASON*
Commissioner, Federal Housing Administration

FHA administrator, asserting for the first time we have a coordinated housing law, describes recently enacted housing act. Lists liberalization features of the act and says for first time, it authorizes FHA to insure mortgages for the construction and rehabilitation of homes threatened by encroachment of slums. Lauds what Eisenhower Administration has done to clean up abuses in FHA housing projects and points out new safeguards against these abuses.

For the first time in history, we now have a coordinated housing law. It will help the homefolk of America to have desirable and adequate housing. It will help them keep their homes in up-to-date condition. It will help them rehabilitate the many fine homes which, through past neglect, are a blight upon our communities.

Norman P. Mason

Many thousands of additional American families will be able to buy homes because of it. I am confident that it will permit America's great home building and lending industry to establish new records both in the construction of new homes and in the rehabilitation and sale of existing homes.

Provisions of the New Law

The new law permits smaller down payments and longer terms. The minimum down payment on a $12,000 home, for example, now is $1,200—just half what it was under the previous legislation. This will help our newly-formed families, and others who have been unable to accumulate big savings, to have homes of their own.

The period for paying back the loan has been extended to 30 years. This means that the buyer's monthly payments will be smaller. The monthly payment on a $10,000 mortgage under a 30-year term is $54—for principal, interest and mortgage insurance premium. For the same mortgage under a 20-year term the monthly payment would have been $67.

Limits on the amounts of mortgages for individual homes have been increased—from $16,000 to $20,000. This will help our families to have better homes.

New authority has been given the FHA to insure mortgages on lower cost homes to help those whose needs are greatest.

To make this program work for the benefit of those who want to help themselves, I've been given new authority to insure mortgages up to 95% of the value of semi-completed homes—homes lacking in some of the amenities which the owner may add later himself. Under the old low-cost-home program the maximum mortgage was $5,700. Now it is $6,650.

This program will be of great help in suburban and outlying areas and in small communities where it is not practical to demand conformity with all of the requirements essential to the insurance of mortgages on housing in built-up urban areas. The buyer of one of these low-cost homes may do his own landscaping or lay his own front walk, for instance. What he saves may make it possible for him and his family to have that new home which otherwise would have been denied to them.

The other new provisions have been added to encourage the production of low-cost homes.

The first makes 95% mortgage insurance available to an owner-occupant, regardless of his credit standing, if a person or corporation with satisfactory credit standing guarantees payment of the mortgage.

Thus, if an employer of good credit standing is willing to stand back of the mortgage for one of his employees—or for a group of employees, for that matter—the government will stand back of the mortgage also. The employer may be permitted to pay part or all of the down-payment.

The other new provision which will encourage the construction of low-cost homes makes 95% mortgage insurance available to finance the construction of farm homes on sites of five or more acres adjacent to a public highway.

Thus, the Congress and the President have given recognition within the FHA to the housing needs of our farm families.

The new Act will make mortgage credit available where it is needed. It recharters the Federal National Mortgage Association, the Federal secondary market facility for home mortgages, and provides for the gradual substitution in it of private investment for Federal investment.

A New Voluntary Home Mortgage Credit Program

In addition, it establishes a new voluntary home mortgage credit program. Now the average citizen who wants to borrow money for a home from his local lender will be much more likely to get it—wherever he may live. Not only will this channel money into the small communities, but it will also make mortgage money available to minority group families.

The voluntary home mortgage credit program is just what its name implies. It comes into being at the suggestion of the private lenders. It calls for a national committee and regional subcommittees representing lending institutions, home builders and real estate boards. They will facilitate the flow of funds for residential mortgage loans into communities where local capital may be in short supply.

It is an example of industry working hand in hand with government for the good of the people.

Another new program will help men in the armed forces to obtain homes on terms comparable to those made available to veterans under the G. I. Bill of Rights.

The Housing Act of 1954 recognizes, in other words, that a happy home life will make military service more desirable to those who wear the uniforms of their country. Some may say, in "government-eze," that a "fringe benefit" has been added. I believe, however, that a decent home is much more than a fringe benefit. To me, it seems essential if we are to attract and retain trained men in the military services. And we must have the trained men if we are to maintain that state of military preparedness which world conditions now require.

We've been discussing new sales-type housing. Let's talk briefly now about the multi-family housing programs before we switch to an entirely different field, that of the rehabilitation and re-sale of existing housing.

Maximum mortgage amounts for rental housing have been increased from $2,000 a room to $2,400 a room. The maximum per unit for projects of less than four rooms has been increased from $7,200 to $7,500. The increases simply admit that costs have gone up.

The other major multi-family housing program provides mortgage insurance to cooperatives. The net Act enables more families to take advantage of the economies possible with this type of financing. The previous limitation of $1,800 per room has been increased to $2,250. In the interest of soundness, the insurable mortgage amount is based on a percentage of estimated value of the completed project instead of a percentage of estimated replacement cost as heretofore.

Rehabilitation Loans

Now, let's talk about the rehabilitation and sale of older homes and the new program to preserve property values in older neighborhoods. I have a feeling that the Housing Act of 1954 talks your language in this field, just as it talks mine.

I'm a New Englander, you know. But from what I know about you people of Utah, I'm inclined to believe that we think alike in wanting to save good existing housing. I believe that you also would rather use a paint brush and a carpenter's hammer than to wait for a wrecking crane to do a different job upon the property.

Well, the new Act provides substantially the same FHA benefits for buying older homes as those provided for buying new homes. On a $6,000 older home, for example, the down payment under the FHA now is only $600—just half the former amount.

The more liberal terms for existing homes will encourage the enlargement and modernization of homes and the purchase of larger older homes. They will permit people to trade in their old home for reconditioned "like new" homes.

There's another thing which you people have in common with the people of my native New England and that is your reliance upon self-help. You people of the Mormon faith as well as the other people of Utah are noted for this in all parts of the country.

Allan Brockbank, of Salt Lake City, during his term as President of the National Association of Home Builders preached this doctrine in connection with Federal slum clearance programs.

He made a lot of sense and he made a lot of converts. And when the President's Advisory Committee on Government Housing Policies and Programs made its recommendations to President Eisenhower last winter, we recommended the Brockbank type of approach to the problem of slums.

We reasoned that it did little good to clear slums in certain areas if we were creating them elsewhere faster than we could ever hope to clear them.

We doubted the wisdom, too, of directing Federal money into communities which showed little or no inclination of their own to halt the spread of blight.

A great new program of urban renewal in the Housing Act of 1954 is based upon these concepts. It is restricted to communities which are doing something on their own to fight slums.

For the first time, it authorizes the FHA to insure mortgages for the construction and rehabilitation of homes in neighborhoods threatened by slums. A companion program authorizes the FHA to insure mortgages upon moderately-priced homes to house the families displaced because of governmental action—such as the closing of dwellings by public officials or land acquisition by a public body for highways or other public use.

Gone is the dogma that cities must become partners with the Federal Government in the wrecking business before they may receive help in their efforts to fight blight. Surgery will be required upon those properties which are too far gone to respond to rehabilitation medicine. But the emphasis now will be upon saving all properties which are worth saving and upon preserving the properties in our older neighborhoods.

Cities are required to have and to exercise appropriate codes and ordinances in order to participate in the urban renewal program. They must have a workable plan which is community-wide in scope. We all know that piecemeal and ineffective thrusts at slum pockets will not do the job.

We know, too, that slums are cancers which feed upon neglect. We've seen the statistics which show how much they cost—they reduce the property values, which are the tax base; they drain off municipal revenues, far out of proportion to what they contribute; they demand greater expenditures for fire, health and police protection.

But their costs cannot be measured in terms of dollar marks alone. They spawn juvenile delinquency. They breed disease, abject poverty and human misery. They cause Americans to lose hope. They offer choice targets to those who would undermine our form of government.

The new urban renewal program undertakes to help communities which are doing something about their slum problems. It will encourage the rehabilitation of homes in older neighborhoods where the symptoms of slums already are apparent.

It is equally important to stop slums before their symptoms appear. The new liberal provisions for mortgage insurance on existing homes will help to do this. It will encourage repairs and improvements to up-date the existing inventory of good homes.

The Housing Act of 1954 adds another new tool in the form of the open end mortgage—so called because its allows the outstanding balance of the mortgage to be increased to pay for repairs, improvements or additions to the property. Where state laws permit, FHA - insured mortgages may now contain such a provision.

There's also the FHA home improvement program which enables the home owner to obtain up to $2,500 to enlarge, modernize or repair his property. Lending institutions making loans for home improvements and repairs for the first time share a portion of the risk. The effect will be to improve the program.

Safeguards Against Abuses

One of the healthful things the Eisenhower Administration has done is to clean up the unfortunate system which developed in the FHA in the rush to get housing built in the postwar years.

I'm sure all honest businessmen applaud the action of Congress in writing safeguards into the new housing law which indicates the course FHA must follow.

We are doing something to be sure that the will of the Congress

Continued on page 27

*An address by Commissioner Mason before the Utah Housing Administration, Salt Lake City, Aug. 12, 1954.

More Emphasis on Retailing!

By WENDELL B. BARNES*

Administrator, Small Business Administration

Head of Small Business Administration reveals his organization will broaden and intensify its activities to help the retailer and wholesaler to improve their marketing techniques and their business methods. Describes project known as "The Customer Evaluation Program." Holds business conditions are improving, and lists statistical data indicating trend of recovery from recent downward movement. Foresees vast business potentials ahead.

I am especially glad to speak to this distinguished group of retailers because, at this very period, our policies in the Small Business Administration are broadening out with a new emphasis on the retailer. Heretofore, we have dealt almost exclusively in our management and technical aids—pamphlets brochures which we regularly publish—with the problems of the manufacturer.

Wendell B. Barnes

Of course, we have always had the retailer and wholesaler in mind and rendered them assistance in our lending program.

We have also had them in mind and did all we could to help them in another of our programs—getting Government and private contracts for small business. But, it must be confessed that, heretofore, when we published our management and technical aids, written by experts to impart better know-how for executives, we were thinking almost entirely in terms of the manufacturer and his problems.

That is going to be changed now. We are going into the problems of selling, the problems common to retailers and wholesalers.

This is the result of some advice we received from a group of people whom we asked to serve as a National Board of Consultants. These successful businessmen, from all over the country, are giving of their time and effort because they recognize that small business is the backbone of the country, a bulwark against oppression and tyranny in our free enterprise system now being so rigorously tested in the world.

Our National Board of Consultants told us—and we are taking it very seriously—that the real problem of business is not the problem of production—it is the problem of distribution and selling. With no trouble, at all, the productive system of this country could turn out goods until we were all knee-deep in them. The real trick is to channel that production where it is wanted and needed—at a price to return a profit.

We are going to dedicate ourselves over the next few months to do what we can, with as much intelligence as we can muster, to help the retailer and wholesaler improve their marketing techniques and their business methods.

For one thing, we hope to use the vast amount of data, the great volume of statistics which the Department of Commerce makes available, and analyze it to find germs of ideas for new approaches on the subject. With the help of the Department of Commerce, we hope to sharpen it and make it increasingly usuable and readily available for scores of different types of businesses.

We would appreciate your advice—your reasoned and carefully thought-out views—on how we can approach subjects such as sales techniques and record-keeping with the least waste-motion and the most productivity for small business.

The Customer Evaluation Program

Another project which the Small Business Administration is just launching, should certainly be of interest to you, as retailers. It is what we call the Customer Evaluation Program. It is something which should spread all over the country, after having been tried out successfully in my own state of Oklahoma, by the University of Oklahoma, under the title of "Hi, Customer!"

Just as our Agency seeks advice from our potential cusomers—the businessmen of the country, in general, and the National Board of Consultants, in particular, it may be well for individual businesses to seek advice from those whom they seek to serve—their own customers. That would seem a natural, normal thing to do—to try to find out from their customers directly, what things the customers like, don't like and would like from their stores.

That sort of thing is made available through the Customer Evaluation Program, organized on a city-wide level, or—in the case of metropolitan centers — on a neighborhood level.

Basically, the program is a device, operated on the secret-ballot principle, for developing better business - customer relationships and increasing sales.

It explores customer reactions and analyzes the results.

For a week, in a city or neighborhood, customers are invited to write their impression of co-sponsoring stores on secret ballots. It is not all criticism. There is praise invited as well, since the evaluations are on a comparative scale with other similar stores locally and in nearby cities.

Printed on the ballots are searching questions to find out what the customer thinks about the salespeople, as to their courtesy, interest, knowledge of stock; about the merchandise, window displays, layout of stock as to convenience, prices, handling of complaints, general atmosphere of cordiality, advertising, confidence in claims made in advertising and in actual selling, and anything else which may be deemed important. The customer is invited to make remarks on anything he would like to see done or added in the way of physical appurtenances or services. Very frequently the customer wants better parking facilities or cleaner restrooms.

When the time for evaluation of results arrives, the suggestions which would benefit the whole community, such as more off-street parking in the neighborhood, are discussed publicly in open meetings of the merchants with the co-sponsoring organization, like the local chamber of commerce, and the people who put on the project. The confidential reports on individual stores are written out and presented privately to the managers of the stores. Bar-charts show the standing of one store as against other

Continued on page 32

*An address by Mr. Barnes before the American National Retail Jewelers' Assn. Convention, New York City, Aug. 9, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

Petroleum shares were the wonder of the stock market this week with vigorous advances carved out of rather thin evidence. The tangibles included some spotty price increases for gasoline, along with rather nebulous hints that Iranian production could be resumed without upsetting the world petroleum balance unduly. The market response of some of the leaders, however, was positive and spirited. And it has been some time since this was the case.

* * *

Standard Oil of New Jersey, in particular, forged into record high territory by reaching a price that represented double the best of 1929 and twice the going level, except for a brief time, of the old stock up to its last 2-for-1 split in 1951. The only question in the case of Jersey is whether rumors of a split—denied by the company — inspired the runup or vice versa. In any event, Jersey on several days was able to show gains running to a handful of points.

* * *

As a matter of fact, the entire "Standard" group stood out a bit in the return of the oils to popularity, not the least being Standard of Indiana which continues to pay out stock from its Jersey holdings. The payment basis was whittled a bit in the latest declaration, coming to 1-for-60 for this year against 1-for-50 for the last two years. These payments now continue the string at seven years since the 1-for-100 inaugurated in 1948. Indiana Standard's market standing, however, is a bit less jubilant than that of Jersey. The best recently is considerably below last year's peak price which, in turn, was some 10 points short of the 1952 top.

* * *

Aircrafts Descend

Aircrafts ran out of favor somewhat abruptly which was entirely logical after their recent sharp gains to climax a long and steep uphill climb. The profit-taking didn't result in anything too drastic although the unanimity with which they sought lower ground was a far more concerted movement than those of other major groups, where one or two issues normally can be counted on to buck the trend for one reason or other. The nearest to a divergence in this group was Northrop which was able to show independent strength on a plan for a stock split.

Apart from mergers, which have been a major market influence recently, stock splits and dividends were almost guaranteed to stir the market. Thompson Products was one issue that moved well on a split plan. It not only posted an all-time high on the news but also succeeded in reaching a level equivalent to more than doubling in price in a few years. Its last capital change was a 2-for-1 split in 1951.

* * *

The prime merger under consideration at the moment, that between Bethlehem Steel and Youngstown Sheet, had run its market course and both stocks were inclined to be erratic as the guessing over the terms of any union and the possibilities of plans running into a snag kept the issues jumping around on both sides of the fence.

* * *

In fact, all the so-called "favorable" news was followed by nervous movements, even in stocks headed for splits, which bred plenty of caution. The signs were all too numerous that the market has reached a stage where many investors are willing to take profits on any good show of strength. The buying-with-abandon, even in issues listed as "overpriced," which characterized the market in early months this year seems at least temporarily over.

* * *

Another of the groups that recently was far from distinguished, but managed this week to put on a somewhat better appearance were the automotive shares. High hopes over the Studebaker-Packard merger helped contribute to a better feeling for the auto makers. For a change, aircrafts failed to dominate the most active issues and several automotive issues were able to take their places. An illustration of the previous aircraft dominance was last week's showing when the plane makers not only copped the top three activity slots but also took half of the 15 most active listings.

* * *

Shift to Low-Priced Issues

The shift away from the blue chips to issues in a more venturesome category seems to have bypassed the secondary group and settled among the outright speculative items. The more active stocks of the week included among them such low-priced items as Callahan Zinc, General Public Service, Packard, Graham Paige, Electrical & Musical Industries, American Cable and White Sewing Machine—all in the under-$10 bracket. Some sizable transactions of 15,000 and 10,000 shares at a clip were negotiated but, at least so far, without excessive price fluctuations.

* * *

Blue chips had their share of troubles after their sterling performance in carrying the averages to 25-year highs. Such quality items as Allied Chemical, General Foods, Corn Products, Eastman Kodak, and Procter & Gamble made something of a habit of dipping into the minus side, occasionally with sizable losses.

* * *

The heaviness in the quality issues that make up most of the market averages was reflected in the disappointing action of the averages, including one failure to penetrate the old high of early this month to confirm the continuing bull swing. But because of the shift in interest lately, the turndown did little to chill enthusiasm.

* * *

Rails continue their laggard ways without any decisive moves that could indicate a changed investment attitude either way. Occasionally a good earnings comparison will harden an issue briefly, but it isn't long before it is back swaying with the rest in tune with the general market.

* * *

Utilities continue to show superior action. Some of the daily improvements have been decidedly minor, even including an unchanged day now and then. But their performance in rolling up a string of as many as half a dozen sessions without a setback is distinctly better than that of other divisions.

* * *

An Optimistic Technical Indication

The day-by-day comparisons have had plenty of dour notes with 300 to 500 issues appearing in the minus column out of the normal 1,200 that appear. But for new lows for the entire year, Standard Railway Equipment has had something of an uncontested monopoly in this department. It has run several successive appearances in the new-lows lists, usually accompanied by preferred issues. On the other side of the ledger, new highs continue to run past the 100 mark so that technically the weight of the evidence has kept the majority opinion optimistic.

[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.]

American Investment Company of Illinois

AIC OF ILLINOIS

The first half of 1954 represented continuing progress for the Company. Earnings set new records and the Company expects a satisfactory second half of this year. The Company's policies are fitted to present economic conditions with emphasis on sound credit. The Company has been strengthened from both a management and financial standpoint—providing a firm basis for future growth.

Highlights *from the Semi-Annual Report*

	June 30,1954	June 30,1953
Gross Earnings	$ 17,632,743	$ 16,895,057
Operating Expenses	$ 11,758,066	$ 10,325,877
Income Taxes	$ 2,900,161	$ 3,636,401
Minority Interest in Earnings	$ 169,633	$ 217,547
Net Earnings	$ 2,804,883	$ 2,715,232
Preferred Dividends	$ 312,282	$ 257,989
Number of Common Shares	2,070,805	2,064,786
Earnings per Common Share	$1.20	$1.19
Dividends per Common Share	$ .80	$ .80
Total Loans Made	$111,806,623	$112,036,212
Number of Loans Made	362,035	346,791
Average Loan Made	$309	$323
Notes Receivable Outstanding	$145,123,297	$140,815,667
Number of Branch Offices	311	292

PLC PUBLIC LOAN CORPORATION

LSC LOAN SERVICE CORPORATION

GPL GENERAL PUBLIC LOAN CORPORATION

DOMESTIC LOANS FINANCE DOMESTIC FINANCE CORPORATION

OFC OHIO FINANCE COMPANY

FINANCING THE CONSUMER THROUGH NATIONWIDE SUBSIDIARIES

Condensed Consolidated Balance Sheet

ASSETS

	June 30, 1954	June 30, 1953
Cash	$ 15,047,172	$ 13,384,599
Installment Notes Receivable—Net	139,360,741	135,630,461
Accrued Interest Receivable	1,100,817	1,046,478
Total Current Assets	$ 155,508,730	$ 150,061,538
Property—net book value	$ 1,514,019	$ 1,355,751
Other Assets and Deferred Charges	4,170,486	4,193,314
	$ 161,193,235	$ 155,610,603

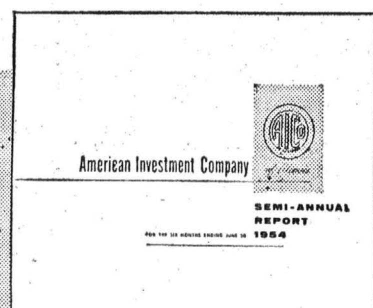
LIABILITIES

	June 30, 1954	June 30, 1953
Notes and Debentures Payable	$ 46,770,500	$ 52,887,000
Accounts and Taxes Payable	5,850,064	7,154,522
Total Current Liabilities	$ 52,620,564	$ 60,041,522
Long Term Senior Debt	$ 51,050,000	$ 44,800,000
Long Term Subordinated Debt	15,450,000	12,150,000
Minority Interest	3,772,218	3,980,473
Capital Stock and Surplus	38,300,453	34,638,608
Total Capital Funds	$ 57,522,671	$ 50,769,081
	$ 161,193,235	$ 155,610,603

COMMON STOCK LISTED ON NEW YORK AND MIDWEST STOCK EXCHANGES (AMT)
PRIOR PREFERRED STOCK LISTED ON NEW YORK STOCK EXCHANGE

A management organization chart, brief sketches of the executive officers and the detailed Semi-Annual Report are available upon request.

Executive Offices: 1112 Ambassador Bldg., St. Louis 1, Mo.

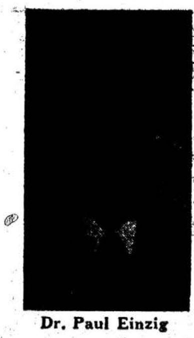


The Rise in the British Note Circulation

By PAUL EINZIG

Dr. Einzig, in calling attention to rise in British bank note circulation to an all-time high, points out this does not necessarily mean an inflationary trend, since the size of the Bank of England's gold reserve no longer plays a part in determining the limit on the note issue. Says increase in note issue indicates a continuing higher national income.

LONDON, Eng. — Week after week during the summer the Bank of England's returns show an increase in the note circulation to new records for all time. The present increase is of course seasonal, and is certain to be followed by a substantial decline after the holiday demand has passed its peak. But the level to which the note circulation will drop is likely to remain well above the corresponding figure for last year, and even above the level at which it was before the beginning of the holiday demand. The fundamental trend, after allowing for seasonal ups and downs, has been upward, and is likely to remain so.



Dr. Paul Einzig

Twenty-five years ago, during the days of the gold standard, this rising trend of the note issue would have caused much concern among experts and laymen alike. For each increase would have reduced the Bank of England's note reserve — the unissued portion of the authorized note issue, the amount of which latter was determined by the size of the gold reserve and by the figure of the "fiduciary issue," that is, the legally fixed amount with which the note issue was allowed to exceed the gold reserve. Whenever the note reserve declined, market rates of interest tended to rise in anticipation of an increase of the bank rate.

All this is now past history. The size of the gold reserve no longer plays a part in Britain in determining the note issue. It is true the amount is still limited by the authorized figure of the "fiduciary issue." But the Treasury is in a position to raise that figure, whenever necessary, by simple administrative action, so that for practical purposes there is no limit to the increase of the note circulation. Its increase leaves the money market and the discount market entirely unaffected. Very little attention is paid to it either in expert discussion or by the public. Experts are much more concerned with the rising trend of bank advances and deposits. It is the latter figure which is generally regarded as the true barometer of inflation.

Yet the amount of the note issue cannot be disregarded altogether as one of the indices showing the monetary trend. It is true, bank deposits are, in an advanced country such as Britain, a much more important item in the total volume of money. Moreover, while in less advanced countries the note issue is the principal instrument of crude inflation, in Britain inflation does not operate through the printing press. Even if the government were engaged in a policy of inflationary deficit financing—which is certainly not the case at present—it would be carried out by much more sophisticated methods, through the creation of bank credits, providing the means for the Treasury to borrow without having to bid up interest rates. So while in backward countries—and even in advanced countries where the banking habit is not so generally developed, such as France for instance—a rise in the note circulation is generally regarded as an indication of an inflationary monetary policy, in Britain it indicates nothing of the kind.

What the rise does indicate is that the national income continues to increase. For in the absence of any drastic change in the methods and practices of payment, note requirements are in direct proportion to the national income. The question is whether the increase in the national income is due to a higher output, or whether it is merely a reflection of an all-round increase of wages and prices. During the last year or two the cost of living remained reasonably stable in Britain, so that higher prices account for only a small part of the higher demand for notes. Larger output accounts for a great deal more. But the main item is probably the increase of wage rates, and, to a much less extent, of other personal incomes.

To the extent to which the expansion of the note issue is due to a higher output, and to higher wage rates justified by higher productivity, it does not indicate inflation. After all, if more goods are produced, and if those who produce them benefit by the increase of their productivity, it is natural that there should be more notes in circulation, in order to meet increased legitimate requirements. It is only if the increase in personal incomes is in excess of the extent justified by higher productivity that the additional notes constitute a means of inflationary financing. Even then a large part of the inflation assumes the form of increased bank balances.

The size of the note issue should not be regarded as a mere barometer which indicates the inflationary trend. After all, demand for goods and services is determined not only by our incomes but also by our cash balances, whether they assume the form of bank deposits or note holdings. This is true in particular in the case of the lower income groups. Many millions of wage-earners and others usually live right up to the limit of their incomes, and their cash balances are generally very low. Any extra expense, such as the cost of a holiday, has to come out of their cash balance. Their decision whether to have a more expensive holiday, for instance, or indeed whether to take a holiday at all, depends on the size of their cash balances. Given the amount of the national income, the size of loose cash available to consumers influences the volume of consumer demand to no slight degree.

In a country such as Britain, where the banking habit is very prevalent, there is very little the government could do about reducing, or keeping down, the volume of note holdings in the hands of the public, in the interest of checking inflation. Holders of bank deposits—and of course also of savings certificates—are always in a position to frustrate any official action aiming at the reduction of the note issue, by drawing on their holdings. Likewise, if too large a proportion of the notes disappears from active circulation as a result of the increase of the hoarding habit of the public, those who need more notes can always draw on their deposits, and the authorities have to provide the additional notes even if this means an increase of the total note issue.

The way in which the government can reduce the note circulation is the same as it was under the gold standard. A cut in the amount of credit is accompanied by a decline in the demand for notes, owing to a decline in business activity and also to a decline in prices and income. The increase of the note issue would have to assume much more alarming dimensions than it has reached in Britain at present, before the authorities would resort to such a drastic action. In several continental countries after the war the governments adopted even more drastic measures. By various devices part of the note issue was withdrawn, through the exchange or stamping of the notes. This was considered necessary, because under German occupation currency inflation assumed largely the form of excessive note issue, and the only effective way of dealing with the situation was to mop up the excess.

The rate at which the British note circulation is increasing from year to year is far from negligible, but is equally far from being alarming. Even the combined figure of the increase of notes and deposits does not exceed the limits of a moderate and well-controlled "creeping" inflation.

Continued from first page

After Geneva

in Indo-China or international affairs, to say nothing of such lofty things as national honor. Welfarism has succeeded in ruining the morale of Western Europe, or what was left of it after the 1930's.

America was, supposedly, the one obstacle that had to be overcome to make peace. In reality, what brought the "peace-loving" Communist powers to the degree of moderation they showed (they could have conquered the whole of Indo-China) was the overhanging threat of U. S. intervention; and the expectation that their "moderation" in the Far East may help to strengthen French resistance against the E. D. C.

The Economic Program

But more about Mendes-France. He is an economist of high repute in his country. To put the French house in order was his Number One promise; the Far Eastern truce a mere preliminary. What, then, is his program? The details are not published as yet, but his ideas are well known. He proposes:

- some trade liberalization in order to break up — to "defreeze" — the rigidity of the French economy and to make its products competitive on the world markets;
- to "modernize" the country's outworn industrial and farm equipment;
- to "stimulate" housing construction, which is in a deplorable state;
- to create full employment of *all* productive resources by public works, "directed" investments, and "balanced expansion" *by* the government;
- to reduce "unproductive" — meaning defense — expenditures, justified by his claim that the Soviets "now concentrate their efforts on economic and social problems";
- to enhance mass consumption and living standards by lowering indirect taxes (which constitute 70% of the public revenues);
- to find outlets for the oversubsidized farm and distillery products;
- to eliminate (how?) the budget deficit nearing $2.8 billion;
- to raise wages and lower costs, and so on, mostly by a "psycological" approach.

The novel feature in this hodgepodge of free and managed economy policies is the idea to give tax incentives to enterprises which invest their liquid funds in more important businesses than their own; the criteria of "importance" to be determined by the bureaucrats.

As to the convertibility of the franc, he is for it; but, says he in the best tradition of postwar Europe, *hatons nous lentement*—let's hurry slowly. (The British and Italians take the same attitude.) And, "temporarily," he would retain export subsidies, import restrictions, etc., just as the Monnet Plan did, that carried France into inflation and virtual stagnation.

The age of politician-economists has produced no more ideal specimen of a compromiser. But how else can one swim in the economic and political mire which is France today? And swim one must, if only, as the Premier himself indicated, because of the $500 million cut in American aid—to Indo-China.[1] Even so, by January, he is likely to run into parliamentary deep waters which may force him to the cure-all favored by French politicians: franc-devaluation.

Can the French Hold North Africa?

The North African "mess" was to be tackled only after the new regime's economic program had been put on its way. But the colonial situation rapidly approaches a critical stage. In Tunisia as in Morocco, violence and sabotage are rife, the result of French vacillation between repressions and concessions. The local nationalists are being incited by Egypt and by Spain; General Franco exploits the weakness of his neighbor as Mussolini did before. France's defeat in the Far East destroyed her prestige, greatly encouraging the colonial nationalists. And they are aware of America's anti-colonialism; in fact, it was Roosevelt's reckless promise of Moroccan independence that started the revolutionary ball rolling.

Repression may work if applied continuously and ruthlessly, which is what Malan's *apertheid* promises for South Africa. That does not suit the French political temperament of today and might drive the entire Islam into Russia's arms. To give Tunisians and Moroccans metropolitan citizenship (as Algerians have) would create an odd situation: a bloc of colored deputies—possibly in alliance with the Communists—would dominate the French Parliament. That leaves compromise *a la* Mendes-France as the only apparent solution: to provide both colonies with full internal autonomy, leaving military and monetary matters and foreign relations in the hands of Paris. Patently, this is not "final."

In both colonies, the French are faced basically with the same hopelessly tangled problem with which the British struggle in Kenya: the conflict between a huge majority of indigenous people and a small but most influential minority of white settlers. Britain may be successful in experimenting with a "black" Dominion on the Gold Coast; there are no white settlers in that area. It is a different story in North Africa, and with a politically even more self-conscious and more unruly population. So far, French rule has been based not only on physical power, but also on the alliance with the "absolute" Bey of Tunisia and the pashas of the Moroccan backwoods. The latter are backed by Berber tribesmen who accept the new, French-imposed Sultan;[2] between them and the Istiqlal, the followers of the previous Sultan (deposed by the French), virtual civil war is looming. In Tunisia, the contest is between the moderate nationalists and the radical Neo-Destours Party. But the trend goes in the direction of xenophobic nationalism, threatening to annul the economic and cultural progress accomplished by French colonization.

The white settlers have a great deal of backing in Paris due to financial and patriotic reasons. They are violently opposed to African autonomy; rightly so — from their own point of view. In an autonomous Tunisia, their lives and properties are to be guaranteed; but who will enforce the guarantee? The modern Welfare State, in Africa at that, has a thousand perfectly legal ways to ruin a group of well-to-do citizens, landlords in particular, under the disguise of democratic equality. Besides, how will the loyalty of the colonial troops, so essential to French military preparedness, be affected?

Despite his very narrow margin in the *assemblee*, Mendes-France is able to put over the Tunisian autonomy, if somewhat diluted. Going back on the promise may mean open revolt. In any case, he has the same parliamentary difficulty to cope with as the preceding Laniel-Bidault regime had: to hold the Gaullists in line. They are most likely to vote against any measure that threatens to wipe out the results of a century of (in many ways very commendable) French colonization. He will have to rely on the Socialists and Communist votes, though he has made it amply clear that he does not wish to govern with the support of Moscow's fellow-travellers.

A crucial problem in French-North African relations cannot be solved by political compromise. Two-thirds of France's exports go to the colonies, mostly to North Africa, against one-third before the war. The colonials have no choice but to buy the overly expensive and often low quality French products. To a large sector of the metropolitan country's industry, these sheltered markets are a matter of life and death. On the other hand, an autonomous Tunisia will not tolerate for long being exploited by French monopolists and will insist on the freedom to buy in cheaper markets. The French monopoly in investing capital, and doing business generally, will not last either if the Neo-Destours boys can help it. France may lose those outlets — unless the mother country mends its economic ways and becomes competitive not only with other European industries, but also with the American. France's colonial problem resolves itself into an economic problem; and sooner or later, the French monetary system, which serves the whole *union francaise*, may be affected, too.

The Future of Indio-China

Europe's apparent enthusiasm about Geneva and Trunggia is not genuine. Despite all denials of "appeasement" and behind all attempts to blame the Yankees,

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1 Here is how cash military aid works: the French Government deposits the dollars in the central bank and receives domestic currency (counterpart funds) in exchange. These are used to defray military expenditures at home or in the colonies. In due course, the dollars are drawn down to cover the country's deficit in the E. P. U.—and to fill the dollar reserves of its chief supplier, Britain. As to the American military hard goods we give the Allies, figures are never published.

2 Morocco was gradually transformed from a nominal protectorate into an actual colony.

Munich is too well remembered for comfort. It is assumed that the Reds will carry out the literal terms of the truce. But what after?

It was a real shock to the British, the true architects of the truce, that its text was not even published as yet when one of their airliners was shot down in a dastardly manner. Next day, Ho Chi Minh went on the air — in Peiping, which is symbolic — to state that he will unite Vietnam before long. In other words, he will carry on, if only by way of subversion. And pronto, a clandestine radio announced a Communist pretender to the "throne" of Siam, while Peiping keeps repeating that it will conquer Formosa, having converted the island of Hainan into a first-rate bastion, threatening the Philippines as well.

In Vietnam, the Communist guerrillas cannot be forced out from south of the 17th parallel. They go into hiding, as is their custom; in Laos, they have a "legal" foothold which will permit new action. Internal resistance in the whole area is bound to be negligible. Strategically, the Viet Minh has the advantage, including all French-American installations in the Hanoi-Haiphong area. The French command no respect; and they do not care enough to fight, though they have very valuable plantations to lose in the South. Their substantial industrial investments in the North are lost, in effect, already.

Within two years, elections are to be held throughout Vietnam. In the northern half, Viet Minh will get 95% of the vote or more, to be sure. South of the 17th parallel, there will be an appreciable minority on their side, if only because of their prestige. Given 11 million people on each side, the Bolshevists for the first time have a chance to win a country by ballots. And they will win unless we counteract their influence. Generous American spending on rump-Vietnam is supposed to do the trick; and the French will stay there only if we shoulder most of their costs. Whether dollars (an annual $800 million budgeted so far) can offset the impact of propaganda, infiltration and intimidation, is very questionable.

The "New Look" of Foreign Policy

Dulles has refused to underwrite the division of Indo-China; in effect, we accepted it. Cambodia succeeded in putting into the armistice the condition that she may call for outside aid in case of acute danger. But paper arrangements have little meaning as long as our policy is determined by the European Allies. They will no more permit us to fight a war with China on account of Cambodia than they did for the whole of Indo-China.

In fact, we drove a "bargain": in exchange for our consent to support (and to finance) the Geneva deal, Mendes-France promised to put the E. D. C.—German armaments—on the current session's agenda in the French Parliament. He keeps his word—tying it to another *parlez-vous avec* Moscow.

Presently, Dulles tries to mend the broken threads of a Southeast Asian alliance. After endless bickering, some more or less ineffectual counterpart to NATO may be concocted. But there is no desire in London to seriously defend that area until and unless Malaya and Indonesia are in acute danger. Nor is much local co-operation to be expected. India, Burma and Ceylon want to maintain their fake neutrality. Indonesia is in the grips of multiple crises; in fact, it is a turbulent mess rather than a state. Japan rebuked Dulles' approaches. She is in desperate balance of payments strains; moderate American aid and a few tariff reductions will merely prolong her financial agony. In fact, given the trade blockade of the "free" world, Japan's commercial salvation rests on trade with Soviet Asia. That is what Moscow and Peiping offer Tokyo—in exchange for no armaments. (The near-hopelessness of the Nipponese situation, from the defense point of view, was brought out in General Van Fleet's special report of early June; it still has not been made public.)

Short of an outright breach of the armistice by the Reds, effective collective security plans for Southeast Asia lack the psychological, political and economic foundation. Thus, the result of Geneva consists in—

an enormous strengthening of Red China;

a parallel weakening of our position in the Far East;

and a consequent, though undeclared and very gradual shift in the drift of Washington's military-diplomatic thinking.

For one thing, the emphasis of our Far Eastern policy is shifting from military to economic support. This, of course, finds unanimous support among the "free" nations. A multi-billion dollar New Deal for Asia is in the blueprint stage. It is a matter of emphasis only, not a definite change of outlook, based on the idea that has become an incurable obsession of our bureaucracy, that dollar relief (a) raises productivity and living standards in the jungles; and (b) thereby reduces the attractiveness of Bolshevist ideologies. But of course, military aid to Formosa, Korea, etc., will continue, too; that is part and parcel of our purely defensive—defeatist—approach that was written into our policy the day General MacArthur was stopped.

Signs of a policy-shift in the making are ample. Take the National Security Council's refusal (at Admiral Radford's instigation) to commit us to guaranteeing Cambodia. Depleting progressively the American forces in Korea belongs in the same chapter. Most significant is the President's shocking hint that Red China's entrance into the U. N. may be considered if she "behaves" herself. And Mr. Eisenhower not only refuses to break relations with the East or even to tighten the blockade, but at the latest turn of the appeasement screw, he permitted the British to sell Western Hemisphere oil to the Russians.

No question about it: we have accepted, or are on the way definitely to accept the European thesis of "peaceful co-existence" with the Soviets. Even the appearance of trying to challenge them has to be avoided so as not to break up the Atlantic Alliance. But at least, Washington tries to build up what it considers a strong defense system on the Western and Southwestern sides of the Russian empire. Even that attempt runs into very serious snags.

Continued from first page

As We See It

down only about 2.7% from 1953, and nonagricultural employment somewhat less than that. Personal income, disposable income, and bank debits outside New York City are all somewhat higher than they were in 1953.

"It is fair," he asserts, to conclude from these facts that the "recent economic decline, on an over-all basis, has been very small. This conclusion will not be changed if we take account of the increase in population. Thus, while the total disposable personal income increased 1.40%, the disposable personal income per capita declined merely 0.3% between the first half of 1953 and the first half of 1954.

"In judging the performance of the American economy during 1954, we have taken the first half of 1953 as the standard. It may help us to see the current state of the economy in better perspective if we go one year further back. The first half of 1952 was not characterized by the same intensity of activity, but it was the best year we had experienced prior to 1953. Therefore, while 1952 does not provide us with as high a standard as 1953, it still constitutes a very high standard.

"If we now compare the first half of 1954 with the first half of 1952, the showing of the rather broad indicators to which we have already referred is as follows:

	Per Cent Change From First Half of 1952 to First Half of 1954	
Industrial production	Up	3.3
Gross national product	Up	4.4
Nonagricultural employment	Up	1.1
Personal income	Up	7.2
Disposable personal income	Up	8.8
Per capita disposable income	Up	5.3
Bank debits outside New York City	Up	10.2

"Every one of these indicators shows a rise, and some of the increases are not small.

"Since 1952 was the best year before this Administration took office it follows that economic activity of late has been higher than at any time before this Administration assumed responsibility. And since 1953 was a still better year than 1954 is turning out to be, it follows that the over-all performance of the American economy thus far during this Administration has been better than during any earlier time.

* * *

"Let us take note of another fact, namely, that while recent economic activity has been at a high level and the value of the dollar has been stable, the increase in wages —which is one of the principal expressions of the progressiveness of the American economy—has continued.

* * *

"The above statistics suggest a high—or even an improving — state of economic welfare. An economic historian of an earlier generation, if confronted with facts such as these, would have felt no hesitation in describing recent times as a period of great prosperity. And if our imaginary historian had stopped to take account of the difficulties of shifting from a war to a more nearly peace economy, with government expenditure on national security dropping nearly one-fifth in a year, he might well have described the last year or two as a time when economic miracles were being wrought."

With a few details here and there omitted this is the President's story. It is essentially that, compared with the best that the country has ever known, the general rate of business activity in this country is but very moderately down. Compared with the best of which his predecessor is able to boast it is even at this moment "out in front." As to whatever mild recession actually did occur late last year and earlier this year, the tide seems to have turned, and the rate of activity appears to be headed upward again. So far, so good. The record, so considered, would appear to support the charge often attributed to some of the President's advisers that we were in danger of becoming a nation of economic hypochondriacs.

But is this the full story? Is the rate of activity in industry, trade and finance the only fact which merits consideration of the examining physician? From all that is being said by most observers, politicians and economists alike, one would suppose that it is. In fact, one is obliged to wonder at times, if it ever occurs to some of these commentators, and certainly the special pleaders, that there is anything else worthy of consideration. As a general rule, the first thing and about the only thing one hears when the rate of activity begins to decline in almost any branch or department of business is a query as to what is the best way to stimulate a quick revival—and often, indeed, to assure that a restored activity will be maintained indefinitely without interruption in the future.

Activity and Economic Health

As to whether in all instances there is any economic health in an upturn of production in any such department of the economy, or whether, perhaps, we should not all be much better served if the output in this or that line were permitted to decline — well the matter apparently occurs to very few. It might be supposed that ideas of this sort would be more frequently held now in view of the situation in agriculture where even many of the politicians are coming to realize that it is not wise to contrive ever greater production when the wants of those with the wherewithal to purchase the products in question are already sated. But the lessons being slowly and hesitantly learned in the field of agriculture are not being applied in other spheres, or applied rarely and by a few who are not particularly vocal or articulate.

The President, one may say, may be excused for not coming to grips with such questions as these, or for not raising them at this time in a statement obviously issued for political purposes. Yet the rank and file of the people of this country can not afford to follow the President's example in this particular. They would most certainly be well advised to ask themselves earnestly whether, for example, the rate of house construction may not call for a reappraisal which would lead to the conclusion that a reduction in the needling that is constantly being applied to this facet of the economy is in order. There are, of course, also other areas which need study of this sort.

We can easily conceive of a very high rate of activity which could lead the thoughtful to uneasiness rather than complacency.

Continued from first page

The Crusade Against Sound Money

1953, was aimed at the monetary and credit policy, the so-called "sound money" program, of the Eisenhower Administration. From the Administration's viewpoint the announcement with its strictly partisan backing must have had the appearance of a "soft money" crusade — an easy-money, easy-credit campaign calculated to appeal to the electorate.

The crusade for easy money and low interest rates had some of the wind taken out of its sails soon after it was launched, by virtue of the rise in long-term bond prices and retreat of interest rates which were facilitated by Open Market Committee purchases, reduction of reserve requirements, as well as subsequent Treasury abstention from further long-term bond offerings. While those subsequent developments must have been a cause for satisfaction on the part of those who wanted easier money — indeed, Congressman Patman in the "Congressional Record" of May 10, 1954, fixes the initiation of those 1953 Open Market Committee purchases as May 11, 1953, the very day the crusade was launched—the Democratic criticism was not dropped.[1] The pages of the "Congressional Record" and other publications trace the crusade's track right down to the present.

On April 9, 1954, the soft-money crusade received new impetus with the publication by the Public Affairs Institute of a 178-page book called "The Hard Money Crusade," by Bertram Gross and Wilfred Lumer. The volume was well launched. On the very day of its publication Senator Hubert Humphrey (D., Minn.) used it on the Senate floor during a long speech captioned "Tight Money: One Year After." In the course of the speech he received "assists" from other Democratic legislators, including Messrs. Lehman, Neely, Johnston, Long, Mansfield, Douglas and a whole separate speech by Independent Senator Morse.

In a foreword to the book, "The Hard Money Crusade," Mr. Dewey Anderson, Executive Director of the Public Affairs Institute, states: "To be properly understood, the monetary issue is a political as well as an economic problem." Certainly this is true in the United States. The historic role of money as a political issue was indicated by the present writer last year in an article published in this magazine. (See "What Are They Doing to Our Money in Washington?" by Herbert M. Bratter, "Commercial and Financial Chronicle," Oct. 8, 1953, p. 1.) The present-day counterparts of the Nineteenth Century populists will doubtless find a "bible" in "The Hard Money Crusade." It will be very surprising if the Democrats do not find use for it during the coming campaigns.

In this article we are not concerned with politics as such. The book is a bitter attack on the Treasury chiefs of today, especially Mr. W. Randolph Burgess and his debt-management philosophy; but it has much broader targets. It is an attack on banking as a business, especially big-city banks. It aims its shaft at banking as we have known it for generations, at free markets, and at the capitalistic system as it has developed here down to date. The book predicates its argument on "full employment" as the chosen American goal, full employment guaranteed by the Federal Government, with inflation to be handled by direct controls, not general instruments such as the interest rate.

The principal author of the book, Mr. Gross, is described in a preface by Professor Seymour Harris as "the one probably most responsible for the Employment Act of 1946." Before going into the book itself, from the standpoint of its charges against the banks and lenders generally, we may glance at the special foreword to it written by Congressman Wright Patman long enough to quote:

"The effort of Secretary of the Treasury Humphrey and his deputy, W. Randolph Burgess, to enthrone 'hard money' as the guide of all Administration policy involves far more than extra interest costs . . . the immediate issue was its threat of a recession, or even a depression. . . . Beyond this is a continuing, basic policy struggle . . . whether our nation shall have a dynamic, expanding economy with full employment as its goal, or a false 'stability' which means economic stagnation, growing unemployment, and unnecessary poverty.

"The New York Clearing House Association composed of big commercial banks, backing the Humphrey-Burgess viewpoint . . . think full employment should not be the principal goal of our economic policy. That demands of labor for improved wages should be suppressed. That farm price supports should be drastically lowered, if not ended altogether. That social security for our aged and incapacitated should be cut back. In brief, the hard money advocates would minimize programs to aid the great masses of our citizens as inflationary. . . ."

Concluding, Mr. Patman recommends the book to those who want to understand "the basic conflict between the advocates of a return to hard times, and those of us who do not want America sold short. . . ."

With this setting, let us now examine the main charges in the Gross and Lumer book dealing with lenders and particularly with the banks.[2] The points selected for examination and our accompanying comments thereon are grouped under eight headings.

(I) Charges as to the Supposed Stake Bankers Have in Tight Credit, High Interest Rates, "Hard Money."

Let us start with the proposition see forth by Messrs. Gross and Lumer that the banks and other lenders have a vested interest in deflation and depression.

They charge the banks with seeking deflation and depression. In stating what they regard as the banks' reasoning, the authors of the book say (p. 38): "A good thing that might happen is a fall in prices. If this occurs it means that a loan advanced in 100-cents dollars will be repaid in dollars worth much more. If deflation holds the possibility of defaults, bankruptcies, and foreclosures, it also holds forth the promise of 'bargains.' "

To assert that the banks seek "defaults, bankruptcies and foreclosures" is not only a calumny, but an absurdity. During the great depression of the 1930s banks themselves were among the worst victims of defaults, bankruptcies and foreclosures. The more prosperous the economy and the more sound business activity that takes place, the better for the banking business.

If deflation leads to disastrous depression, conversely, an even cheaper dollar leads ultimately to drastic inflation and collapse of the money. True, extreme de-

1 Chairman Martin of the Federal Reserve Board has testified that the Open Market Committee decided to reverse its policy during its meeting on May 6, 1953. See printed hearings before the House Banking and Currency Committee, "Federal Reserve Act Amendments" May 26 and 27, 1954, p. 18.

2 The writer as a free lance in the financial and economic fields has a special interest in banking. For many years he has contributed articles to the magazine "Banking," the monthly magazine of the American Bankers Association, and has contributed articles to other financial publications including the "Commercial and Financial Chronicle"; "Bankers Monthly"; "Savings Bank Journal"; the "Financial Times" (London), and "The Banker" (London); as well as many non-financial publications.

flation and extreme inflation are disastrous. But our credit system, incorporating central banking influence in either direction, is set up and operated to avoid such disasters.

Just as the populists of the last century drew a sharp line between the interests of "the people" and "Wall Street," modern populism draws the same line to divide the nation into conflicting classes and direct their appeal to the workers and farmers and to that recent innovation, the GI homeowner. In effect "You shall not press down upon the brow of labor this c r o w n of thorns; you shall not crucify mankind on a cross of hard money!" This is doubtless effective Twentieth Century politics, but it is not good economics.

How the b o o k, "The Hard Money Crusade," serves political ends was illustrated when Senator James E. Murray (D., Mont.), addressed the Democratic leaders at their two-day meeting at the Mayflower Hotel in Washington on May 5, 1954. See the report in "The Evening Star" of that date. Senator Murray's son, Charles E. Murray, who works in the Senator's office, is listed as one of the original sponsors of the Public Affairs Institute, which published "The Hard Money Crusade."

On the same page of the book (p. 38) we read:

"Some bankers like to hark back to the days when commercial loans paid from 5 to 5½% . . . when Treasury bonds brought yields close to 4% and were exempt from taxes . . .

"Early in 1953 . . . the President of the Bankers Trust Company (said): '. . . These rates are still low, both in historical perspective and in terms of what is desirable for sound banking.' "

This point boils down to the question whether cheap money—pegged, low interest rates—make for sound banking. One need only ask oneself what the soundness of banking would be if interest rates approached zero. The interest rate is the price one must pay for borrowing. The price acts in part as a deterrent to unwise borrowing. A too-low interest rate tends to foster harmful inflation.

There are times when the economy needs the stimulus of lower interest rates to encourage borrowing and stimulate production and employment. Also, there are times of boom, when borrowing should be made less easy so as to avoid inflation. This is a principle widely recognized by students of money and banking here and abroad. But, as has been particularly evident in other countries, principle is often shoved aside for politics; and in this respect this U. S. A. is no exception.

"Secretary Humphrey's view," we read on p. 35, "that interest rates are still low, expressed in the Spring of 1953 . . . can only serve to reassure bankers that the campaign to restore interest rates to the pre-depression levels which they consider normal will be carried foward."

Secretary Humphrey's quoted view on interest rates being "still low" does not necessarily imply an intention on his part to work for their increase.

It is one thing to compare present rates with historical experience; and obviously, if we are to look at history we cannot help look at pre-1930, since most of our history occurred before 1930. But it is another thing to impute an intention to restore rates to their historical highs.

The "hard money" views of Andrew Mellon as related by Herbert Hoover subsequently are quoted (p. 40) as representing a current school of thought in business circles.

"The Andrew Mellon formula for handling booms: . . . 'Liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate.' "

Andrew Mellon lived a generation ago. All of us have learned something since then. Not only is there no basis for charging such views to the banking profession of 1954, but it should be emphasized that as presently operating Federal Reserve influence is used to prevent the development of such a situation as Mr. Mellon may have had in mind.

(II) Charges as to the Supposedly Dominant and Wrongful Influence of Banks on the Treasury and Federal Reserve Board Resulting in Official Policies Beneficial to the Banks.

In the book we read (p. 48): "At times the Federal Reserve System has . . . served mainly as a service agency for the banking system, helping dominant bankers achieve higher rates of return on their lending activities and a decisive voice in national economic policies." Also (p. 49), quoting Marriner Eccles: "So far as I know, there is no other major governmental power entrusted to a Federal agency composed in part of representatives of the organizations which are the subject of regulation by that agency."

The reader of the quoted statements is asked to believe, it would seem, that any increase of interest rates or tightening of credit is *designed* to help "dominant bankers" and any opposite course is in the general interest. Was it wrong for Banker Eccles to accept a post on the Federal Reserve Board?

The fact that banking is represented in the policy-making of the Federal Reserve System is not so unique as those we have just quoted think nor unfitting in a country that believes in representative government in which all elements concerned participate in the formulation of policy. It would be indeed strange if no one with shipping experience were n a m e d to the Maritime Board, no one with communications experience to the FCC, no one with business experience to the Federal Trade Commission, no businessman to the Commerce Department's Business Advisory Council, or to emergency control agencies, etc. It would be strange to set as qualification for membership on the Federal Reserve Board or in Federal Reserve Bank offices that persons with banking experience might not serve. If bankers should not be chosen to run a labor union, should Federal Reserve policy be formulated by mechanics, electricians and carpenters?

In the preface to the book (pp. xiii-xiv) Professor Seymour Harris writes: "Should a leading banker of undoubtedly personal integrity whose name has always been associated with a policy of allowing the bond market to find its own level, and on the whole with a profit to the financial institutions, be allowed to determine debt policies?"

As we have indicated above, if the emphasis of this question is on the word "banker," the answer is, "Who is better qualified than a banker? We would not recommend that a banker be put in charge of the Bureau of Standards or an engineer in the post of Attorney General."

If rather the question relates to the belief of this particular banker (W. Randolph Burgess) in the free money market, the implication of the question is that we should have some non-believer in the free market direct the Treasury's financings.

The implication that the Treasury financings are conducted with a view to profiting the financial institutions rather than in the interest of the nation is an insulting reflection on the patriotism of the particular man or men concerned.

The book (p. 47) quotes "Banktrends," an independent Washington newsletter for bankers, as saying: "The fact that the Eisenhower Administration is dominated by bankers is a source of pride to many in the financial world." Further it states that: *"All the foregoing are what the critics call big bankers, and used synonymously with big business."*

The facts about bankers in this and previous governments were set forth in an article by this writer last year.[3] It was then shown that the proportion of bankers in the Eisenhower Administration is smaller than in the two preceding administrations; and that bankers, like others, have been called to appropriate government service throughout the history of the United States. The "Banktrends" statement was in effect drawn from a criticism of bankers which had appeared in the "Congressional Record" a few days before.

In the book's preface (p. xiv) we read: "Is debt policy a matter of concern only for financial institutions, or are the interests of labor, business, farmers, homeowners, t a x p a y e r s involved? (Burgess: 'I might add that a number of conferences were held with *leading investor* groups in the period preceding the offering of the 3¼% bonds . . .')."

The preface implies that the purpose of the conference was to look after the interests of the investor groups, rather than to ascertain what policy would be in the best interests of the nation, including labor, business, farmers, homeowners, etc. This gratuitous implication is unwarranted. For years the Treasury has been consulting investor groups concerning the market situation prior to undertaking large financings and these groups are not confined to commercial b a n k e r s. If the Treasury on such occasions consulted labor unions or farm organizations, what help could they give? One might as well argue that the Commerce Department's Business Advisory Council should be composed of farmers, bricklayers, GI's or just "taxpayers," rather than businessmen or that the Agricultural D e p a r t m e n t when necessary for a policy decision should consult an advisory group of sailors, r a t h e r than farming or farm-products representatives.

Certainly the interests of all elements of the population, all social and economic groups, must be considered in anything so important as Treasury financing operations; but if we are to have a free economy and free markets the interest rate on individual

Continued on page 22

3 "Bankers in Government Service," by Herbert Bratter, "Banking," December 1953.

Continued from page 21

The Crusade Against Sound Money

issues of Treasury securities has to be determined *ad hoc,* and it is this duty which the Congress has delegated to the Treasury Department. The dangers incurred in attempting to fix rates perpetually low for social purposes are discussed below.

(III) Criticisms of Banker-Backed Sound Money Campaigns

The Gross and Lumer book states (pp. 40, 42): "The hard money crusade got under way in 1946 . . . The Committee on Public Debt Policy . . . served as the first brain trust of the interest boosters."

Sound-money organizations have participated in American public discussions of money questions over many decades. They did not originate in 1946, the year of the Employment Act with which the "The Hard Money Crusade" is concerned. The book pins the name "crusade" on the activities of opponents of inflation. However, as we noted at the outset of this article, it is rather the book itself which is identified with a self-styled "crusade," the soft-money crusade.

The New York State Bankers Association is criticized in the book (pp. 32) for appropriating $250,000 for an "educational" campaign on "sound money."

The need for such public education at the time was evident in the pages of the "Congressional Record" recording speeches of members of the Congress on money rates and financing policy. The NYSBA's decision was taken at its convention in May, 1953. It was on May 11 that the 20 Democratic Senators and Congressmen who had been criticizing the Treasury and Federal Reserve Board for their public debt and credit policies, launched their "crusade." Small wonder, then, that bankers saw a need to inform the public on sound money.

(IV) Charges Relating to Banking Profits and to "Subsidy" of the Banks by the Government.

One of the main contentions of the book is that banks make too large profits, that by insidious means they get the authorities in Washington to adopt policies that swell the banks' gains. On p. 52, for example: "The profits of American bankers *after* taxes rose more than 400% from 1935 to 1952. Radical proposals to socialize the banking system, eliminate the interest rate subsidy on government borrowing, or subject the bankers to stronger control made no headway," the authors regretfully add.

A statement like that just quoted may sound impressive, until one places it in its proper setting. Is banking an inordinately profitable business? In 1935, corporate profits after taxes, banks included, were $2.3 billion. They rose to $18.6 billion in 1952, an increase of more than 700%. Corporation earnings excluding banks rose even more than that. Did the so-called "hard money" policy of 1953 line the banks' pockets unduly? In the April, 1954 issue of the widely respected monthly letter of the National City Bank of New York appears a tabulation of 1952 and 1953 profits in a long list of fields of activity in this capitalistic country.

The table shows that between 1952 and 1953 commerical banks' net income after taxes increased by 11%. But here is a list of other activities as reported in the same table, showing how much their profits increased in 1953, as compared with 1952:

Dairy products	11%
Meat packing	97
Other food products	14
Tobacco products	16
Cotton goods	19
Hosiery, knitted goods	12
Carpets, floor coverings	25
Other textile products	36
Clothing and apparel	13
Shoes, leather, etc.	31
Tires, rubber products	12
Furniture, wood products	11
Paint and varnish	23
Cement	11
Glass products	12
Iron and steel	37
Aircraft & parts	32
Shipbuilding	39
Food chain stores	29
Electric power, gas, etc.	11
Telephone & telegraph	21
Restaurant & hotel	15
Investment trusts	11
Sales finance	17

If the banks really engineered the tighter money conditions of 1953, they certainly were working in the interests of a much broader group than themselves.

If dearer money is so good for the banks, why don't their 1953 profits reflect it? National banks in 1953 earned 7.92% on their average capital funds, whereas in 1952 they earned 8.17%, according to official figures released by the Comptroller of the Currency.[4]

"Between 1934 and 1941 . . . profits after taxes rose by nearly $800 million for all insured commercial banks," we note on p. 76 of the book.

From this sentence one might suspect that the greedy banks were already earning handsomely in 1934 and should have been satisfied to let well enough alone. Actually, the $800 million represents the difference between a net loss of $340 million in 1934 and net profits of $454.6 million in 1941! Had the authors instead compared 1941 with 1936 they would have had to report a decline in bank profits.

On p. 78 we find: ". . . the year 1953 opened with a significant Federal Reserve Board action raising rediscount rates which enabled commercial banks to further increase profits. In the first half of 1953, despite a drop in deposits and investments, bank profits rose." The statement in the book is based on a newspaper article.

For the first half of 1953, the "Federal Reserve Bulletin" (October, 1953, p. 1114) shows that all member banks earned 8% on their capital, as compared with exactly the same percentage during the first half of 1952. Measured in dollars rather than in percentage ratio bank profits were higher in the first half of 1953 than in the first half of 1952, but—as shown by the National City Bank of New York tabulation which we quoted above—the 1953 increase was not as great as for many other lines of activity.

"In rationalizing the demand of certain banking institutions for high and quick profits the hard money advocates always talk of current problems . . . ," we read on p. 76.

This statement interestingly reveals the slant of the book. Not the slightest attempt is made to document the statement that "certain banks" are demanding high and quick profits. Are we to conclude that profits have no place in banking, that banks should be eleemosynary institutions or should belong to the State?

Along the same lines is this item in the book (p. 69):

". . . the inner core of the hard money coalition is composed of groups concerned with immediate economic gain. By late September with a decline already under way, the President of the American Bankers Association . . . [as reported in the "Wall Street Journal"] 'expressed fear that Federal monetary and fiscal authorities might act too quickly to try to offset 'readjustments' in some phases of the economy.' "

The objectives of the soft-money coalition are not spelled out in the book beyond the expression "full employment." When the Treasury was financing at higher interest rates in the Spring of 1953 a business magazine editorialized that it was glad to know that the brakes worked, but that it did not want to go through the windshield. What the ABA President presumably meant was that he did not want to go through the back window either. Students and practitioners of central banking are in agreement that central-bank activity in steadying a country's economy is not an exact science, but an art that requires the central institution to feel its way, whether it is seeking to counteract a tightening or an easing situation.[5]

Subsidy of Banking is another target of the book (p. 80):

"Bankers are the most vigorous critics of subsidies whenever they are used to maintain farm production, to provide low-rent housing, schools, or low-cost school lunch programs. When it comes to subsidizing the banking system itself, bankers have an entirely different attitude . . . so they now seek higher government interest payments which subsidize the commercial banks."

The passage is characteristic of the mixture of demagoguery and unsupported charges that abound in the book. By what study has it been determined that bankers are the most vigorous critics of such subsidies, or even critics at all? No evidence is presented in the book. The latter, on the other hand, gives abundant evidence that its authors are "the most vigorous critics" of subsidies to banking and most firm believers in an economy favorable to an ever-upward inflationary wage spiral such as we experienced during the postwar years.

The book's claim that higher interest rates on Government securities are a subsidy to banking are based on fallacious assumptions and contain unwarranted implications: (1) that Treasury interest rate policy is formulated for the sake of banks' profits; (2) that "certain banks" influence or control Treasury interest-rate decisions; (3) that the interest banks earn on their holdings of Government securities is an unearned, undeserved "rakeoff," for which they render no services of equivalent value to the nation. None of these assumptions or implications is demonstrated.

Here is a variation of the subsidy theme (p. 81): ". . . banks acquire government securities at no cost . . . by Federal Reserve reduction in 'reserve requirements.' "

It appears that the book's authors do not believe in our existing central banking and commercial banking systems; nor in the present system of American capitalism, free markets, etc.[6] If a reduction in reserve requirements (and weren't the opponents of the Treasury's sound money policies in 1953 asking for easing of credit?) is a subsidy to banks, then what is a raising of reserve requirements such as the Federal Reserve Board at times has required? Is it the singling out of the banks for special punishment? If so, it is strange that the supposedly-so-influential "certain banks" do not at such times howl so that they may be heard.

On p. 82: ". . . this payment [of interest to banks] may be unduly swelling bank profits, enriching bank stockholders and subsidizing free banking services for large corporations."

If there is something you would like to prove, but cannot, just assert it. Hitler showed what can be done with this technique: make your statement and reiterate it again and again and again. We are supposed to believe that the services the banks render free to the national community are rendered only to big corporations and for no one else's benefit; and it is implied that large corporations are an evil doing no one but themselves any good.

In its July 1954 "Monthly Bank Letter" the National City Bank of New York discusses the meaning and probable effects of the latest reduction in reserve requirements. In the light of the contentions of "The Hard Money Crusade" that tighter money is in the interest of the banks, it is worth noting that there is as the National City Bank calls it "another aspect." The bank states:

"One aspect of providing bank reserves by lowering reserve requirements is that it allows banks to invest more of their funds, and therefore affords supporting influence to bank earnings. . . .

"The height of the (reserve) requirements, in combination with prevailing cheap money policies and rising costs and taxes, has repelled investor interest in bank shares with the result that banks are frequently valued in the market for less than their liquidating value — 'worth more dead than alive' as one bank stock analyst put it. Since 1939 more than 500 commercial banks have either liquidated or given up their identity by merger.

"In view of the generally low capital ratios between bank capital accounts and liabilities, there is a public interest involved in a level of bank earnings which will close the gap between the market and book value of bank shares and enable banks to build and attract capital."

(V) Statements Calculated to Set Off Big and Small Banks—Also Borrowers and Lenders —in Antagonistic Classes.

The theory that bigness is an evil in the economic world is catered to in an effort to break down our present central banking system. This is linked to the Shylock prejudice against all money lenders, a prejudice as old as civilization. Thus (pp. 83-9):

"Interest rate increases impair position of small banks and small investors . . . Book losses of major consequence to small banks and small investors . . . They bought their government bonds at a time when it was tacitly understood that they could always sell them at par . . . Bank reports for 1953" disclose "how the large banks gained from the initial rise in interest rates and fall in bond prices, and the subsequent recovery of bond prices . . . if the bonds they bought were held to maturity . . ."

Figures for 1953 profits which we quote elsewhere herein show that profitwise the country (i.e., small) banks did better than the New York and Chicago (i.e., large) banks. The book's authors are inconsistent. They argue that the book losses that attended the rise in long-term interest rates during the first half of 1953 were bad for small banks, but by the time their volume was published, those book losses had turned into book profits, concerning which they are silent. The authors point to book profits of big New York banks which bought governments at the bottom of the 1953 market, although there is no assurance that those book profits will not disappear later.

Federal Reserve statistics show that for 1953 total losses and charge-offs on securities, minus recoveries on securities and profits on securities sold were, for country member banks, 0.96% of average total capital; and for New York City banks, 1.18%. In other words, the big, slick New York banks indicted by Gross and Lumer, made a poorer showing on securities in 1953 than did the small country banks for whom tears are being shed. Gross losses and charge-offs on securities in 1953 were 1.33% for country banks and 1.52% for New York banks.

Both the Comptroller of the Currency and the FDIC allow banks to carry government securities at par, regardless of market prices, if bought at par.

True, some small investors may have sold bonds at the bottom of the 1953 dip in the bond market. There may have been an expectation, but certainly no guaranty that bonds of the U. S. would have an assured price of par at all times from date of issuance to maturity. The only bonds guaranteed as to redemption value before maturity have been savings bonds especially designed for the small investor.

Most banks' holdings of government securities are in short maturities, which fluctuate little in "book value" or market price.[7] A larger part of the portfolios of government securities held by country banks (44.8%) matured within a year than in the case of New York and Chicago banks (43.8%), according to "Treasury Bulletin," March 1954, p. 31, Table 2.

Admittedly, tight money policy in the Federal Reserve dictated by national needs would tend to make bond portfolios less liquid than theretofore, thereby tending to reduce the willingness of banks to extend credit, but that is precisely one of the aims of central-bank money tightening at a time of boom.

Now we come upon a class-against-class argument (p. 70):

"An increase in interest rates transfers money from the pockets of borrowers to the pockets of lenders. How valuable this transfer operation has been to the larger banking institutions . . ."

This is one of many places where the book caters to the historic prejudice against "Wall Street." Note the bank profits for 1953 reported by the Federal Reserve Board on Feb. 8, 1954.

1953 Net Profits of Banks After Taxes as Percentage of Total Capital Accounts:

New York City member banks	6.3%
Chicago member banks	7.8
Reserve city member banks	8.5
Country member banks	8.1
All member banks	7.8

Thus we see that in 1953, a year of tighter, then easier, money, country banks earned more, proportionately to their capital, than the big New York banks. Moreover, in the very year when the "dire and conspiratorial" events alluded to in the book were supposed to be occurring the banks of the two big central reserve cities, New York and Chicago, were earning at a smaller ratio to their capital than in 1952, whereas the country banks' earnings ratio did not decline.

The preliminary FRB data show that country banks earned 8.1% in both 1952 and 1953, whereas the ratio for New York banks declined from 7.1 to 6.3 and that of

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4 April 28, 1954, press release H-462.

5 Cf. Federal Reserve Board, "The Federal Reserve System — Purposes and Functions", 3rd edition, 1954, especially Chapter IX, "Influence of Reserve Banking on Economic Stability."

6 For Mr. Gross at least there is no such thing as a "free market," nor perhaps ever was. In his book, "The Legislative Struggle," he writes (p. 28): "The so-called days of *laissez faire* were days when group organization and group conflict were also essential parts of the social structure. For Adam Smith, the mythical beauties of the free market constituted valuable propaganda in the campaign for private business organizations against state-fostered monopolies."

7 Records show that during 1953 Government securities held by comercial banks on the average had 2.5 years to run to the first call date and 3.75 years to maturity.

Chicago banks from 8.6 to 7.8. The figures do not support this attack on the banks.

A similar "class" item is italicized on p. 86:

"According to the '1953 Survey of Consumer Finances' 86% of all families and individuals in the United States reported they received no interest, dividend or trust fund income in 1952."

The survey mentioned was not a census or poll of all families and individuals, but a limited sampling. It is true, as reported in the Federal Reserve Bulletin, that 86% of those polled in the 1953 annual survey so reported. But the following statement which appeared in the Federal Reserve Bulletin of August 1951 (reprint, p. 13) on the occasion of a similar annual survey of consumer finances should be carefully noted:

"Income in 1950 from dividends, interest, trust funds and royalties was reported by 12% of all spending units, the same as in 1949. As indicated in previous years, *this should be considered a substantial understatement of the frequency of such receipts. A great many people forget or disregard these items, especially when the amounts are small.*" (Italics supplied.)

A large part of the population holds savings bonds, on which the interest accumulate and is paid as part of the redemption value. A study by the Brookings Institution ("Share Ownership in the United States," by Lewis A. Kimmel, 1952, p. 119) shows that some 43,000,000 individuals owned E-bonds.

(VI) Criticisms of Treasury and Federal Reserve Policies Which Are Fundamental to Private-Enterprise Banking as We Know It Today.

On pp. 9, 29 and *passim:* the book criticizes both the Treasury and the Federal Reserve authorities for rapidly forcing interest rates up in early 1953. Thus: "The key to the interest-boosting spiral of 1953 lay in the Federal Reserve Board raising the rediscount rate and tightening the reserve position of member banks in the face of the continuing demand for credit from all sectors of an expanding economy."

This sentence goes to the heart of the subject. Apparently, the authors believe, whenever there is a demand for credit it should be met. The monetary authorities have been equipped by law with powers to ease credit when it is too tight and to tighten it when it is too easy; powers to move in alternate directions. The book evidences a strong bias in favor of a monetary and credit system which moves only in the direction of expansion.

The book appears to recognize no such thing as boom or inflation, preferring instead the catchphrase "full employment." It operates on the theory that, whenever there is a demand for credit from consumers, businessmen, municipalities and others, that demand should be met, and met at a fixed predictable rate of interest. The dangers of inflation it would tackle by non-monetary controls over materials and prices. Its thesis amounts to an argument in favor of a State-directed economy using direct controls in place of general controls.

Appendix tables 5 and 9 of the book give estimates of the extra cost of interest to the government and others as a result of the rise in interest rates in early 1953.

It will be noted that the authors carefully end their tables and calculations in mid-1953, when money rates were just about at their peak. They do not reveal the effects of the subsequent decline in interest rates. On the subject of the tables the following quotations of the views of Senator Paul Douglas of Illinois, the "Douglas Committee" and the "Patman Committee" speak for themselves. On the Senate floor on Feb. 22, 1951, Senator Douglas stated (Congressional Record," p. 1474):

". . . The costs to the government and to the people have been far greater than the gains which we have made from a lower interest rate. The increase in prices since Korea are probably already adding to the Federal Government costs at the approximate rate of six billion a year.

"The cost of meeting the interest on the public debt is now roughly $5,800,000,000. . . . It is a conservative estimate that there has been a general increase in prices of commodities and services of roughly 10% as a result of the inflation; so that this inflationary price increase, then is already costing the government at least $6,000,000,000, and possibly more. That is in excess of the total amount which the government now pays in interest.

"*Even if interest rates were doubled, which is at best a very remote possibility, the added cost of meeting the interest on the public debt would not equal the cost to the government because of the rise in prices that has already taken place.* [Italics supplied.]

"Furthermore, our whole society has been greatly disturbed and convulsed by the increase in the cost of living which has taken place; and no one knows what lies ahead. The responsibility for all this lies proximately and immediately with the Federal Reserve, but ultimately and really with the Treasury. I am not interested in putting anyone in the pillory and holding him up to public scorn. I am not interested in castigating people or institutions for the fun of it. I am vitally concerned, however, as to what will happen to this country if this policy is not changed. . . ."

The "Douglas Committee" recommended:

". . . to restrict credit and raise interest rates for general stabilization purposes . . . even if the cost should prove to be a significant increase in service charges on the Federal Debt."[8]

Endorsing the foregoing views, the "Patman Committee" in its report in 1952 stated: "The Subcommittee, after taking into account the evidence submitted to it and the changed circumstances of the past two years, sees no reason to alter the recommendation on this point made by the earlier subcommittee under the chairmanship of Senator Douglas."[9]

Alluding to the mid-November 1953 financing as the first reduction in interest rates made by the Treasury, the book observes (p. 33): "Apart from this belated response by the Treasury to prevailing market rates there was no reversal of the Treasury's deflationary debt-managed philosophy. . . ."

When it suits the book's purpose, as here, it describes the Treasury as responding in its interest-rate policy to market forces, whereas elsewhere, as in the discussion of the 30-year 3¼s (on pages 19-20), it describes the Treasury as making the market rate of interest.

"Korea: Hard Money Wins Important Battles." we are told. "Between mid-1950 and the end of 1952, . . . unlike the World War II period, this wartime increase was handled at higher instead of lower interest rates."

At various places in the book appear references to "victories" of "hard-money proponents" similar to the one quoted. Obviously such pre-1953 "victories" cannot be pinned to the Administration which assumed office in 1953 or to the former banker held responsible elsewhere in the volume.

"As an alternative to a hard money program, we advocate a policy of low and generally stable interest rates, and an ample, though not excessive supply of money and credit. . . . By eliminating uncertainty and by keeping production and capital costs low, a policy of permanently low interest rates can help promote a high and sustainable level of business investment and residential construction," state the authors on page 5.

There is no assurance that this "ideal" policy would work. It did not work in the period from 1933 to 1939.

The authors seem to believe that a boom should never be interfered with, at least not by monetary measures. By their criterion, we may conclude, employment may never be overfull. If during a period of war or defense activity the labor force is employed overtime and housewives take outside jobs for patriotic reasons, after the emergency no such jobs should be given up. This is based on the fallacy that working is an object in itself. In the USSR everybody works; women doing heavy manual labor. The USSR has "full employment" at all times. Should that be our goal?

"Consideration might be given to establishing a 2½% ceiling for long-term bonds and a pattern of rate ceilings on intermediate and short-term securities consistent with the long-term rate ceiling. Such ceilings would, of course, be subject to statutory adjustments, thus restoring to the Congress some of its powers over monetary and credit policy. The desirability of setting rates below the ceiling should be fully recognized." (p. 130)

The following pertinent passage we quote from "Introduction to Economics," by Van Sickle and Rogge:

"Cyclical fluctuations (depressions) come because the interest rate is not permitted to perform its proper function, which is to tell would-be investors how many resources consumers are willing to release for production of capital goods.

"Increases in the supply of loanable funds during the expansion phase, coming from stocks of newly-created money, prevent the interest rate from rising to warn investors that there is a shortage of real savings. Thus they are led into error, into the error of launching more capital projects than consumers will let them complete."

What the ever-cheap-money school advocates must make Benjamin Franklin turn over in his grave. It's theory is that all wants are legitimate and should be financed by credit, even if money has to be printed for the purpose, one must conclude from this book.

Gross and Lumer write (p. 106):

"As part of the effort to 'sell' the high interest rate policy, Secretary of the Treasury Humphrey asserted that higher interest rates would induce people to save and invest more of their income in Treasury securities, thereby reducing the demand for goods and services and easing inflationary pressures. . . . An opposite effect can [*sic*] result. . . . It is a popular fallacy that high interest rates [such as those of the spring of 1953] provide a strong incentive to savers."

From the Home Loan Bank Board press release of May 8, 1954:

"Savings accounts of American people in the major types of financial institutions — together with investments in U. S. savings bonds and life insurance reserves —rose by more than $12 billion in 1953. . . . That is the highest gain of record except for the 1943-45 period, when the wartime boom and the shortages of consumers' goods produced a much higher volume of savings. . . .

"The figures include backlogs of savings in commercial and mutual savings banks, savings and loan associations, cooperative banks and similar organizations, plus postal savings, accumulations of savings bonds and cash values of life insurance policies."

(VII) Contentions That Treasury Financing Policies Have Worked to Enrich Banks, With the Implication That This Was a Major Purpose of the Official Decisions.

Describing the 30-year 3¼% loan announced by the Treasury April 8, 1953, the book (pp. 19-21) emphatically condemns the Treasury's action on several grounds. Of special interest to the financial community is the statement that "the issue paved the way for a general rise in interest rates, particularly for long-term private borrowing."

It is true that the prices of government bonds are generally viewed as the best criterion of long-term interest rates. But to admit this is not to say that the Treasury sets the general rate of interest. When the Treasury goes into the market it has to compete with other borrowers for the money available for investment. Government bonds are the benchmark of the money market in the sense that their market is broader and they are more fungible than other securities; and it is the price which the money market is willing to pay for long-term governments that sets the pace for money rates. The conditions for a rise in interest rates were already present when the Treasury went into the market for 30-year money.

The funds which the 30-year issue took out of the market admittedly added to the tightness of money and had a much more direct effect on long-term rates than would have been felt from a series of short-term Treasury borrowings. But this is a matter of debt management. Any long-term U. S. bond offering would have tightened money in the first half of 1953, and that was the intention. But to argue against long-term issues in general is to argue for continuance of a huge outstanding demand or near-demand public debt indefinitely.

The book in various places refers to "insiders" being able to profit from Treasury financings. This seems to be implicit also in the book's discussion of the 3¼% issue on page 19, where it states that the announcement of the issue was preceded by Treasury conferences with representatives of commercial banks — among others—and quotes, with italics, the "Journal of Commerce" to the effect that the 3¼% coupon had been anticipated.

We have already commented on the Treasury's pre-financing conferences with bankers and other bond-buying groups. As for the "anticipated 3¼% coupon," there is nothing mysterious about the market being able to guess with fair accuracy what interest would have to be paid to float a large long-term issue.

The quoted statement of the "Journal of Commerce" was published after weeks of guessing by the market as to what sort of a long-term bond the Treasury might offer in starting its expected funding of the public debt. Thus on Jan. 20, 1953, the "Journal of Commerce" in its "Newsletter" said: "In the current market, a 25-year government bond would have to carry a 3% coupon as a minimum to attract material buying. A rate of 3¼% would be necessary to bring in any large volume of subscriptions to Treasury bond offerings, it is safe to say." On March 24, shortly before the Treasury offered its 30-year bonds, the "Journal of Commerce" stated: "The true interest rate today is somewhere between 3 and 3⅜% for long-term money."

The authors claim (p. 20): "Although the accompanying decline in the prices of outstanding government bonds caused losses to smaller banks and some individual investors, at the same time profitable opportunities were created for the larger lending institutions." Just why any opportunities available to big banks should not be available as well to small banks is not made clear.

"For the first time in several years in 1953 commercial banks' investments expanded faster than their loans," it is pointed out. When $2.2 billion 8-year bonds were offered in October 1953, subscription totalled over $12½ billion, "suggesting that the rate offered exceeded that which was necessary to attract the needed funds (p. 20)." In short, we are advised, this was "a 'big banker' oriented Treasury debt management policy (p. 21)."

Such a development is perfectly natural during a period of business and inventory adjustment. Where there is less demand for business credit, it is but logical for banks to pay greater attention to securities.

"Free riders" have been a recurrent problem to the Treasury for many years. They were even a problem during the wartime financing when the 2½% long-term rate was pegged. The "big-banker oriented Treasury policy" is simply an unsupported assertion of the authors of the book.

"The decision to raise rates did serve to increase lenders' profits. In conjunction with the tightening of credit, raising rates set the stage for a corrective recession . . . ," it says (p. 36).

That the raising of rates, as it is here called, was the result of economic forces, not of diabolical plotting, we have already pointed out. That banks make a higher percentage return on their loans when interest rates rise is undeniable. But, as in other economic affairs, when the cost of borrowing rises, fewer loans are incurred at banks; the volume of borrowing by bank customers tends to diminish. Indeed, that is the objective of central-bank money-tightening policies.

When the volume diminishes, bank profits tend to be restrained. If it were possible for the government to cause the price of automobiles, for instance, to be raised, it could perhaps be claimed that this would add to the profits of the automobile manufacturers; but it would not follow that an increase in price would be accompanied by undiminished car sales. The same applies to bank lending. Credit is in effect a commodity that is "sold" at a "price."

Concerning the flexible policies utilized in 1953 by the Federal Reserve Board, the following digest of remarks made by Dr. O. Emminger, German Executive Director of the International Monetary Fund, is timely. Dr. Emminger drew attention to the indisputable success achieved by the U. S. credit policy. He recalled that as early as in May 1953 the Federal Reserve System had systematically and energetically set about the task of widening the credit basis of the U. S. banking system and depressing short and long-term interest rates by means of open-market purchases . . . and the lowering of minimum reserve requirements and the discount rate. There was in fact a possibility that this economically far-sighted credit policy would not only appreciably reduce the extent of the business decline but also, by encouraging long-term investment, make an important contribution to the overcoming of the forces of stagnation, Dr. Emminger concluded.

In alternately tightening and easing credit the Federal Reserve is carrying out the functions given it by law.

"When interest rates were first raised, it was explained that this was necessary to encourage *non-bank investors* to buy government securities. But reserve requirements were later reduced to *per-*

Continued on page 24

8 Joint Committee on the Economic Report, report of the Subcommittee on Monetary, Credit and Fiscal Policies, 1950, pp. 1-2.

9 Joint Committee on the Economic Report, report of the Subcommittee on General Credit Control and Debt Management, 1952, p. 36.

Continued from page 23

The Crusade Against Sound Money

mit the banks to purchase government securities (old ones at bargain prices and new ones at higher rates)," Gross and Lumer point out.

This passage in the book is an example of garbled reasoning. The assertion that rates were "raised" suggests a deliberate policy executed by high authority, whereas in fact money rates, as explained in Chapter X of "The Federal Reserve System — Purposes and Functions" (third edition, p. 142), are the prices paid for credit and result from the interplay of market forces.

The book, "The Hard Money Crusade," in the passage just quoted, when it mentions "government securities" can mean only long-term securities; otherwise the passage has no basis in reality. Of course higher interest rates would, it was believed in 1953, encourage private nonbank investors to buy long-term government bonds. Yet when the over-all economic situation and outlook including the money market called for a change in Federal Reserve policy, reserve requirements were lowered. But they were not lowered in order to enable banks to buy government long-term bonds. Commercial banks, which lend on short-term, cannot safely tie up their investment portfolios in too many long-term government bonds. Doubtless many banks, small and large, took the opportunity to make switches in their holdings. But to assert that the reserve requirements were lowered for this purpose is to malign the Federal Reserve Board.

Reference to the "Treasury Bulletin" of March 1954 (p. 31) shows that nearly half of the Treasury securities held by commercial banks have a maturity of less than one year. Of $55,795,000,000 of government securities held by the banks there surveyed, $41,118,000,000 matured within five years and thus were not of the long-term type which, when money rates hardened in 1953, the authorities hoped nonbank investors would buy.

Mr. Eccles makes the point (as the book quotes him on pp. 16-17) that the nearly $6 billion of 8-month tax-anticipation—certificates financing enabled the banks to substantialy increase their earnings. There were two alternative methods of financing which would not have done that, Eccles maintains.

The Treasury had several reasons for financing as it did on July 6, 1953. The market then was in no condition to stand the regular hammering of a series of weekly bill offerings. The alternative methods, it stated, would have created additional market disturbance.

Eccles' reference to bank earnings has to do with the fact that the banks could buy the issue through their tax-and-loan accounts. Because of the Treasury's need for cash, the proceeds of the issue were drawn down within a couple of months. Therefore, the banks could not have earned very much from the certificate operation.

(VIII) The Fundamental Issue Posed by the Book: A Free Economy or Full State Control.

The book states (p. 124):

"In June 1953—seven years after the adoption of the Employment Act's objectives by Congress and six months after the hard money ideology had returned to power—an important group of New York bankers launched a *highly significant* campaign to water down the commitment made in the Employment Act. Representatives of 18 of the largest New York City commercial banks issued a report ["The Federal Reserve Re-examined"] in which the primary recommendation was:

'. . . it is desirable that the so-called "employment mandate" of the Employment Act of 1946 be amended . . .'" etc.

Also, as we have already noted, the preface records that ". . . the one probably most responsible for the Employment Act of 1946 [was] . . . Mr. Gross . . ."

The above quotation from the text touches the vital point of difference between the free-economy views of bankers and the controlled-economy views of the authors of the book, "The Hard Money Crusade." A fluctuating interest rate, natural in a free economy, is inconsistent with a controlled economy such as the authors of the 1946 Act sought. That act, incidentally, was a considerably watered-down version of the original bill introduced by Mr. Gross' then chief, Sen. Murray of Montana. The reader is referred to the full text of an article, "Full Employment and Its Dangers," by Dr. Carl Wiegand, Professor of Economics, University of Mississippi, published in the "Commercial and Financial Chronicle," April 8, 1954. From that article we quote:

"To discuss the dangers of the 'full employment' doctrine does not imply the advocacy of unemployment, deflation, depression or exploitation. It is not true, as Sen. Murray claimed . . ., that 'one is either for a full-employment program, . . . or for unemployment.' And it is sheer demagoguery to say that 'Congress [or banking] wants unemployment.' . . . If . . . 'full employment' should conflict with the requirements of a stable currency and the maintenance of a free-enterprise economy, how will the government decide? The Employment Act of 1946 implies the pious hope that such a conflict can be avoided. But there can be no doubt that the authors of the act were convinced that in case of a conflict 'full employment' was to be regarded by the government as its primary objective, and there can equally be no doubt that political pressure groups . . . are in favor of 'full employment' if necessary at the cost of inflation. . . No safeguards are provided in the Act for the stability of the dollar . . . Almost without exception the chief sponsors of the 'full employment' philosophy . . . consisted of well-known New Deal 'liberals' and the proponents of soft money and of various more or less socialistic welfare schemes . . . It seems . . . probable that it [full employment] was sold to him [FDR] . . . as a back door to a planned economy . . . Senator Taft pointed out that the [full-employment] doctrine . . . had a strong family resemblance with the 'right-to-work' section of the Soviet Constitution . . ."

Professor Wiegand continues: "We can increase the supply of money and credit, but such a policy does not necessarily result in substantial increases in employment as the advocates of 'full employment' often imply . . . The Treasury and Federal Reserve can make it easy for business and consumers to obtain credit, but they cannot force business or consumers to borrow . . . This brings us to the hidden inflationary dynamite. Professor Alvin Hansen can hardly be regarded as a 'reactionary,' yet while advocating a policy of 'full employment' he added: 'Full employment programs are loaded with inflationary dangers. To deny that would be folly. . . .'"

It is not enough that we are prosperous, that production, sales and employment are near record levels, we must have no diminution of the inflationary boom, no adjustment of the inflationary excesses of the postwar years. Pursued to its logical conclusion, such a policy may be political "wisdom," but it may also prove long-range economic suicide . . .

Gross and Lumer deplore the fact that "higher interest rates have substantially increased annual interest payments on . . . mortgage debt, farm debt, . . ." (p. 36). But Professor Wiegand calls attention to the gains in wages and in farm commodity prices since the beginning of World War II. In other words, while it is true that higher interest rates tend to increase mortgage and farm debt when new debt is incurred, home and farm mortgage borrowers are in a better position than formerly to handle such debt. In Prof. Wiegand's phrase: "They are joined by the vast army of mortgage debtors who are able to pay off their obligations in depreciated dollars. The farm debt, for instance, declined almost 25% during the war years."

In writing about "the uncomfortable paradise of full employment" a writer in "Harper's" (Robert L. Heilbronner, issue of April 1947) warned that "the middle class will tend to be squeezed . . . Teachers, professional men, salaried office workers rentiers, business and government bureaucrats, and all the other components of the middle class will be relatively worse off. . . . The squeezed middle class . . . will encourage anti-labor (really anti-wage) legislation in an effort to preserve its real share of the national income. This will not be easy to accomplish. As labor becomes richer and stronger, it may not tolerate having its gains limited. Also as the middle class declines in wealth, it will decline in political power. . . . Social changes are to be expected."

As Mr. [Theodore] White warns in his recent "Fire in the Ashes" —Professor Wiegand reminds us —"When inflation happens slowly, as in France, over a generation, it slowly changes the habits and morals . . . all the patterns of thrift, planning, decency, good taste that go with solid money become stupidity . . . Those who do what is best for the community—who save, who plan, who put aside—are wiped out; those who grab, thrive." A social upheaval, as it has plagued Europe since World War I, partly as a result of inflation, may not have worried the "liberal" sponsors of the "full employment" philosophy, whose very ideal has always been one form or another of social leveling, but it should give food for thought to the Eisenhower Administration . . . As we aproach full employment, bottlenecks develop which tend to drive up prices and wages . . . As Lord Beveridge warned in "Full Employment in a Free Society": "If trade unions under full employment press wage claims unreasonably, maintenance of a stable price level will become impossible; wage determination will perforce become a function of the state."

In the preface to "The Hard Money Crusade," Seymour Harris makes the statement: "This Treasury official [Burgess] now is reputed to have attacked the modern theory of debt management as being Keynesian . . ."

On this point we may again note Professor Wiegand's view:

"There is obviously something wrong with this popularization of Keynesian economics, on which the whole 'full employment' doctine is based . . . A disproportional rise in wages . . . may cause a similar dislocation and thus ultimately unemployment . . .

"'Full employment' at any price might be good politics for a short time, but . . ., if successful, it may also turn American into a regimented society, and may seriously weaken our economic system. Cyclical troughs — the peaks and valleys in business and employment—can best be eliminated by preventing inflationary booms. The problems which we face today were created during the postwar years of credit inflation, over-employment and often excessive wage demands and price advances. To perpetuate these excesses will not cure the ills which worry us today."

"Hard Money" Abroad

The "Hard Money Crusade" contends that, after a long period of low interest rates in the United States, tight money was brought back as part of a banker's scheme to benefit money leaders. It is therefore interesting to take a look at interest rates in foreign countries. Each year the annual report of the Bank for International Settlements, Basle, devotes a chapter to money, interest rates and credit. In the BIS report for the fiscal year 1953 we note:

"It can safely be said that the British monetary authorities have no intention of allowing interest rates to become fixed again at a new level; the truth is that the rigidity which characterized credit and interest policies during the immediate postwar period has been abandoned in favor of a flexibility which permits rates to be raised or lowered as the situation requires."

As evidence of flexible monetary policy on the part of certain banks the BIS tabulates changes in discount rates in 19 different countries, including the U. S. A., starting with changes made in July 1950, the date of the outbreak of the Korean war. In most of these countries discount rates were raised in 1950 or 1951. As of the time of preparation of the BIS report, which bears the date June 8, 1953, in but one of the 19 countries was the rate as low as it was in the U. S. A., namely Canada. The full list shows, in per cent:

Austria	5
Belgium	3
Bolivia	6
Canada	2
Chile	8
Denmark	5
Finland	5¾
France	4
Western Germany	4
Iceland	7
India	3½
Ireland	3½
Japan	5.84
Netherlands	2½
South Africa	4
Sweden	3
Turkey	3
United Kingdom	4
United States	2

Commenting on the increase of the Federal Reserve discount rates in January 1953, the BIS stated that the step "had the effect of bringing the official rate more into line with those ruling on the money market.

"The increase in interest rates has not, however, acted as a brake on economic expansion (although it should have led to the adoption of sounder methods of financing) and has in fact been compatible with a rise in stock exchange quotations . . .," the BIS wrote in June 1953.

For its bearing on the need for tighter money policies in the USA the following observation of the BIS report is worth emphasis:

"The figures for lending by the commercial banks indicate the existence of boom conditions. In 1952 the increase in the total of the loans and investments of these banks amounted to $9.0 milliard, i.e., 50% more than in 1951, when there was an expansion of $6 milliard. . . .

"The largest expansion occurred in the case of consumer credit; this was partly due to the relaxation, in the spring, of the restrictions applying to this kind of credit, but it also reflected an increased keenness to buy on the part of the American public."

Keenness to buy with borrowed money is not, *ipso facto*, justification for lending the money.

It is interesting to look at the case of Denmark, a country where the socialists are very powerful. The BIS reports, "Denmark has, in addition [to budget surpluses], made use of the instruments of monetary policy (including the raising of interest rates) in order to restore balance in its internal economy. Since the official discount rate was increased from 4½% to 5% in November 1950 it has been maintained at that level, and in 1952 the yield of long-term government bonds averaged about 5¼%." Can it be that the Danish bankers are taking advantage of their socialist fellow-countrymen?

Closer to the ideal as expressed by the authors of "The Hard Money Crusade," it would seem, is Norway, which has an outright socialist government. In Norway, states the BIS, "interest-rate policy was not changed either upon the outbreak of the conflict in Korea or at the peak of the timber boom which started a year later; instead the government relied on forced savings obtained by means of budget surpluses, on the repayment out of foreign - aid counterpart funds of its debt to the central bank and, finally, as a second line of defense, on qualitative credit control to limit the expansion of the money supply. The French have a name for this: *dirigism*.

Socialist Sweden, also, realizes the dangers of some of the policies recommended in "The Hard Money Crusade." Again to draw on the BIS report:

"It has been one of the aims of Swedish credit policy to prevent the yield of loans needed in order to provide funds for house construction from rising above a certain percentage — which was at first fixed at 3% but later changed to 3½% — and consequently it has been considered desirable that, in general, the yield on long-term government loans should not be allowed to exceed this maximum percentage. *The authorities realized, however, that it would be dangerous simply to continue to allow the central bank to support the quotations of government bonds by the issue of newly-created funds, and consequently agreements were concluded in 1951-52 with banks, insurance companies, etc., whereby the latter undertook to make funds available for house construction at certain maximum rates, varying between 3.5% and 3.6%.* [Italics supplied.]

"In consequence . . . the commercial banks had become rather short of liquid funds—and it was part of the *official policy not to allow their liquidity position to become too easy again*. . . . [Italics supplied.]

"In its report submitted to the Swedish Parliament in the spring of 1953, the board of the Riksbank emphasized that the result of the Riksbank's transactions in 1952 could not be regarded as satisfactory and reflected the difficulties to which a further increase in government borrowing could lead. The Board stressed that 'the financing of State expenditure through the Riksbank—other than merely temporarily — cuts the ground from under the Riksbank's credit policy and prejudices the possibility of maintaining and improving the degree of balance that has been achieved.'"

In all this there would seem to be a lesson for those who think that nothing should be allowed to interfere with a bountiful supply of cheap money.

The BIS report quotes from the

London "Economist" of April 4, 1954, this paragraph:

"One of the most significant lessons of the past year's experience is that a 4% Bank rate has been more effective in checking inflation, despite the mildness of the budget itself, than even the advocates of monetary policy generally dared to hope. It has not only helped to check stock-building [inventories]; it has induced a wholly healthy caution in both business and personal spending."

And this from the country of Keynes, who is mentioned approvingly in "The Hard Money Crusade." (p. xiv)!

A final excerpt from the BIS report:

"As far as short-term credit is concerned, it may be noted that the changes in interest rates and other measures taken have influenced not only the lending institutions but also businessmen themselves. It is perhaps also worth pointing out that, whereas the years of cheap money up to 1951 were characterized, for the most part, by rising prices, the price rise was halted once interest rates had been increased and other measures of credit restraint had been introduced. . . .

"Nowadays, when the governments have such a great share in the economy, they, too, must make their methods of financing and their investment policies sufficiently flexible to take account of changing circumstances."

Thus the BIS; and not a word for pegging government bonds at par.

We end with a quotation from E. M. Bernstein, Director of Research of the International Monetary Fund. Prior to the establishment of the Fund, Mr. Bernstein was a member of the Treasury Department's staff. He has never been identified with banking. At the conclusion of the Fund's publication, "The Revival of Monetary Policy," Mr. Bernstein states:

"Much has been done with monetary policy [among members of the Fund] in the past three years. More can be accomplished by a vigorous use of monetary policy in the future. The greatest barrier to an effective monetary policy has probably been ideological in character. *It is a mistake to assume that full employment and economic development must be based on inflation. Economic adjustment with stability is more likely to result in high levels of employment and rising standards of living than a policy of unlimited credit bolstered by controls. Economic development with stability is more likely to create broader work opportunities and more efficient methods of production than a policy of inflationary financing of investment. Governments are now beginning to understand this.* That is why there is more reason for optimism on the payments problem than at any time since the end of the World War." [Italics supplied.]

British Experience With Monetary Policy and Full Employment

In his newest book, "How Money Is Managed: The Ends and Means of Monetary Policy," Dr. Paul Einzig, a veteran observer of the world financial scene, provides us with some food for thought.[10] Under Britain's socialist government "full employment" was the official promise. The experience was not a happy one. At a time when the engineering and shipbuilding industries lost orders because they lacked the necessary manpower, elsewhere in Britain there were unemployed workers who refused to shift to unaccustomed work even in their own localities, preferring to await re-employment in their own district and industry because the government was committed to assuring full employment.

In his discussion of the possible conflict between the economic and social objectives of monetary management Dr. Einzig points out that "full employment" goal is, for, some, really an "over-full employment" goal. While some persons favor "a high level of employment" and are prepared to accept a certain amount of unemployment, he says, "many people favor a state of affairs in which the unfilled vacancies far exceeds the number of those looking for employment. This latter state of affairs may be described as 'over-full employment.' It is distinctly inflationary because, human nature being what it is, it is difficult for employees to resist the temptation of taking advantage of their scarcity value. . . . To avoid sliding into non-stop inflation through the operation of the wages spiral monetary policy would have to aim at a prevention of over-full employment."

Under a full employment policy as the prime aim, Einzig states, "there is indeed the utmost pressure brought to bear on the government to pursue an inflationary monetary policy which would minimize local and temporary unemployment even in industries which have become largely redundant." Stating that nobody who remembers the experience of the 1930s can object to a full employment policy in principle, the British financial and monetary expert continues: "But it is necessary to realize the need for a more elastic application of that principle . . . to avoid its inflationary effects and to obviate the bolstering up of unsound industrial positions to the detriment of the national economy." His advice is as applicable to the U. S. A. as to Britain. To quote him further:

"Uncritical enthusiasts of the full employment policy, too, are inclined to believe that all that is needed is to adopt the policy of non-stop inflation for the sake of full and over-full employment, and mankind could live happily forever after. Unfortunately things are not so simple in real life. A great deal more is needed than the dogmatic application of an over-simplified formula.

"There is indeed a grave danger in the new dogmatism. . . . Full employment . . . must not be the only consideration which the monetary authorities have to bear in mind in determining the needs of their monetary policy. They have to avoid adopting courses which would eventually defeat the ends of their full employment policy. . . . The policy is still in an experimental stage, and its principles will have to be established through trial and error. . . . It would be clearly going too far to lay down as an obsolute principle that for the sake of full employment all other ends must be sacrificed in all circumstances."

In another chapter of his book Dr. Einzig gives some useful comment on the official support of Treasury securities in the open market, as has been lately advocated in this country with much forcefulness. As for the argument that higher interest on the public debt causes an unnecessary expenditure of public money, Einzig holds that the authorities in any country "have to think twice before embarking on a policy which, while it assists them in keeping down the cost of the public debt, increases their difficulty in performing their broader economic functions satisfactorily . . . For example, even though the proportion of the floating debt is not uncomfortably high the Treasury may decide to fund some of it in pursuit of objectives of monetary policy. Although debt funding must mean an increase in the burden of the interest service, prevailing circumstances may justify the sacrifice if as a result the monetary situation is adjusted in accordance with the requirements of monetary policy."

Those Americans who in all sincerity have been criticizing the Eisenhower Administration and its predecessor for departing from the wartime practice of supporting long-term government bonds at par might do well to heed Einzig when he warns:

"The largest number of people who hope to gain if monetary policy pursues exclusively social ends will discover sooner or later that they have to pay the price in the form of an ever-increasing cost of living, the absence of monetary and economic stability, and, in given curcumstances, a reduction in productivity . . .

"Sooner or later the public is bound to learn, at its cost, the need for some self-restraint in the use of credit expansion even for socially useful and economically productive purposes."

From our own reading of financial history and particularly American financial history the United States is likely to learn this lesson rather later than sooner.

The Book in Its Setting

The "money question" in one form or another has become a political issue in American politics from time to time ever since the colonial period. There was the "Continental currency," President Andrew Jackson's crusade against the second Bank of the United States, the 1856 Democratic platform plank opposing "a concentrated money power" and the hurly-burly surrounding the creation of the national banks and issuance of greenbacks during the Civil War. There was even a Greenback Party. Later came the silver agitation of the '70s, '80s and '90s and the Populist movement; bimetallism and Bryan; the National Monetary Commission of 1908 and the Federal Reserve Act of 1913; while in our own generation we have see the renewal of silver purchase programs, the devaluation of the dollar and the cheap-money appeal to voting masses.

Against this historical background the agitation of the interest rate question in the Congress by opponents of the Eisenhower Administration falls into its natural niche. It serves not only an immediate partisan political purpose, but it carries forward as it were a historical contest, catering to the fact that hardly anyone ever feels that he has all the money he needs and to the belief that a bountiful supply of money (including credit) for the country as a whole will mean greater prosperity for every individual. This is the setting for the soft-money crusade launched on Capitol Hill last year with the fanfare of mimeographed press releases and speeches in both houses. The book, "The Hard Money Crusade," is simply the latest manifestation of that historic issue.

Mr. Bertram Gross, whose name heads the authorship of the volume we have been discussing, has spent most or all of his adult life in the political capital of the nation. To fully understand his approach to the money question it is helpful to read his views as he set them forth in 1953 in another book of which he is sole author, "The Legislative Struggle — A Study in Social Combat." That book draws on Mr. Gross' extensive experience in the legislative and executive branches of the government. The book, moreover, is a scholarly contribution which will undoubtedly be used by students of and participants in the American Government as well as by others. In scholarliness and method, however, "The Legislative Struggle" and "The Hard Money Crusade" provide a sharp contrast. In the latter Mr. Gross steps out of his role as scholar and dons the arms and armor of the crusader.

To Mr. Gross, everything that is done on Capitol Hill is the result of struggle and contest for power. "The Legislative Struggle," therefore, is studded with the vocabulary of struggle, of warfare. We find the legisaltive process described in terms such as combat, contestants, weapons, beachhead, generalship, strategy, group tensions, engagements, legislative battleground, foot soldiers and generals, infighting, war and battle front. For his doctoral dissertation Mr. Gross was the scholar; but otherwise he is the warrior, the fighter, the crusader.

During and after World War II Bertram Gross held various high staff positions in the Senate, where he personally participated in "the legislative struggle," notably but by no means exclusively in the events which culminated in the Employment Act of 1946. That Act gave birth to the Council of Economic Advisors, of which Mr. Gross became Executive Officer. After leaving the Council Mr. Gross served for a while with the Democratic National Committee as Director of Research.

Previously we noted the appeal in "The Hard Money Crusade" to the supposedly common interests of farmers, veterans, small businessmen, small banks, "individuals" and the like as against the supposedly different interests of large money lenders. That appeal carries out the advice Gross gives in his "The Legislative Struggle," to wit:

"A powerful organization calls for a variety of leadership skills. Leaders must be perceptive enough to gauge accurately the community of interest upon which people can be brought to act in concert. They must be imaginative enough to create and use the ideals and symbols—the 'credenda and miranda' of power, as one writer puts it—that can inspire enthusiasm and loyalty. They must define the objectives of group action, chose the weapons, and develop staff services in the field of intelligence, planning and public relations. They must nurture every source of power, extend their group's power through combinations of various sorts, and negotiate the compromises that spell victory or defeat in individual engagements." (*op. cit.*, p. 146.)

In the light of the anti-banker stance of "The Hard Money Crusade," it is interesting to note in Gross' book, "The Legislative Struggle," that David does not regard Goliath as invulnerable. Quoting from another author, Robert MacIver, Gross writes:

"Yet care should be taken not to overemphasize, as most Marxians do, the potential power of wealth. 'The economic strength of any group or class is no longer, as it tended to be under feudal conditions, the measure of its political strength. The relative ease with which powerful economic interests have been defeated in the political arena, the many encroachments of government, by taxation and regulation, on the prerogatives of wealth, the progress of 'social legislation' all along the line, and the manner in which various governments, without any proletarian revolution, have taken over such important sectors of capitalistic enterprise as railroads and public utilities, demonstrate the inadequacy of the Marxian thesis to comprehend the complex relationship between economic and political power.' "

Moscow papers please copy.

"Deliberate intent to deceive is an inescapable element in any conflict," Gross records ("The Legislative Struggle," p. 216), a point which is applicable to political money crusades. All's fair in love and war. In a struggle between groups Gross advises—quoting "one of the greatest of military strategists," Carl von Clausewitz— " 'Pursue one great decisive aim with force and determination.' " Moreover, Gross continues, "keep opponents from seeing the whole picture. This calls for surprise and diversion . . . It also calls at times for the deliberate creation of confusion and, more frequently, for deliberate bluffing." It calls, too, for the use of "emotional drive." The more successful leaders, states the brain truster of the soft-money crusade, "know how to arouse and keeps aroused similar emotions in their followers." Again citing von Clausewitz: "Be audacious and cunning in your plans." And Gross again: "The horizontal organization of support among friendly groups also calls for persistent effort. Common interests must be discovered, nourished and exploited."

Along the same line Gross writes: "Almost every successful propaganda effort of a major character will contain carefully slanted appeals to a large variety of groups . . . There is an obvious dilemma: the more one appeals directly to different groups, the greater is the danger that one's language is meaningless or offensive to some other groups. The favored device for escaping through the horns of this dilemma is to emphasize a broadly desirable objective, such as Recovery or National Security . . ." Or Full Employment?

Further along in his book, "The Legislative Struggle," Gross reports that many crucial legislative debates are fought out at the level of conflicting conceptions of public welfare, each party believing that the opposition "really serves a 'narrow interest' or 'vested interest' . . . When arguments such as these . . . are interlarded with copious statistics, quotations from authority, and statements of personal experience, they can be impressive indeed." Certainly "The Hard Money Crusade" is well interlarded with copious statistics and quotations from authority.

"Occasionally," Gross, the political scientist, tells us, "books will be written for the express purpose of serving as legislative campaign propaganda . . . In addition to having the appearance of objectivity (from the viewpoint of the authors, presumably, this is much more than appearance), they provide valuable ammunition for use in other propaganda efforts." Mr. Gross cites as an exhibit A of clever propaganda before a Congressional committee an industry's presentation characterized by "that degree of incomprehensibility which is best calculated to impress a not-too-sophisticated listener." All this is unquestionably true; and we cannot help but feel that it applies to "The Hard Money Crusade."

10 "How Money is Managed: The Ends and Means of Monetary Policy," by Paul Einzig, 368 pp. Penguin Books, Ltd., Harmondsworth, Middlesex, England. 2s.6d.

Penn. Bankers Ass'n Summer School

HARRISBURG, Pa.—The third Pennsylvania Bankers Association Summer School will begin Sunday, Aug. 22, at The Pennsylvania State University.

The morning sessions are divided into two sections—one on Bank Lending and one on Bank Operations, each with a separate curriculum. Registrants have an opportunity to select and attend one of these sections. Three afternoon sessions will be devoted to topics of economics and will be presented to the combined student body. An agricultural program of interest to the entire School has also been arranged for one afternoon session.

To date, more than 200 registrations for the Summer School have been received, including many non-officer personnel and a number of women employees. We are also pleased to note that these registrants represent all sizes of banks, indicating the ever growing interest throughout the state in this type of educational opportunity.

Public Utility Securities

By OWEN ELY

Good Yields Still Obtainable in Utility Stocks

The continued advance in the prices of electric utility stocks has now carried the average yield for some 135 issues down to 4.9%, while the average price-earnings ratio has advanced to 15.4%. For the high-grade issues contained in the Moody Average of 24 electric utilities, the yield has dropped to 4.59% and the price-earnings ratio (estimated) is probably close to 17. The drop in stock yields has paralleled, but somewhat exceeded, the decline in bond yields since the Administration changed its monetary policy in June, 1953.

It is still possible, however, for the careful investor to obtain much better than average yields by combing the utility list. The following at a recent date still yielded 5.5% or better:

	Recent Price	Dividend Rate	Approximate Yield
Bangor Hydro-Electric	32	$1.80	5.6%
Central Maine Power	22	1.20	5.5
Citizens Utilities	18	0.48	*5.7
Concord Electric	37	2.40	6.5
Eastern Utilities Associates	33	2.00	6.1
Fitchburg Gas & Electric	51	3.00	5.9
Haverhill Electric	45	†2.50	†5.6
Housatonic Public Service	24	1.40	5.8
Iowa Southern Utilities	22	1.20	5.5
Lake Superior District Power	36	2.00	5.6
Lowell Electric Light	57	†3.50	†6.1
Michigan Gas & Electric	37	1.35	*6.6
Mississippi Valley Public Service	25	1.40	5.6
New England Electric	16	0.90	5.6
New England Gas & Electric	17	1.00	5.9
Public Service Electric & Gas	28	1.60	5.7
Public Service of New Hampshire	16	0.90	5.6
Sierra Pacific Power	36	2.00	5.6
Southern Utah Power	15	1.00	6.7
Western Light & Telephone	29	1.60	5.5

*Includes annual 3% stock dividend. †Estimated.

For the customer who wants to go further afield, it is possible to get very high yields. Some of the pipe-line and gas stocks offer attractive income rates—Columbia Gas, Tennessee Gas Transmission, Texas Eastern Transmission, National Gas & Oil, West Ohio Gas and others. Some of the telephone stocks—both Bell and independent—offer yields of 6%-7% or more. Yields on transit stocks are extremely high, ranging between 8% and 18% for a number of issues. In the foreign field there is Brazilian Traction yielding 12%. Eastern Gas & Fuel—about two-thirds coal, one-third utility—affords a similar high return.

For those investors who are not interested primarily in income, but wish to buy utilities which are selling cheaply in relation to earnings (usually with a low dividend payout), the following electric utility list might be of interest:

	Recent Price	Share Earnings	Price-Earnings Ratio
Black Hills Power & Electric	24	$2.06	11.7%
Central Maine Power	22	1.79	12.3
Edison Sault Electric	11	0.92	12.0
Empire District Electric	26	2.11	12.3
Madison Gas & Electric	39	3.13	12.5
Mississippi Valley Public Service	25	2.24	11.2
Missouri Utilities	22	1.79	12.3
San Diego Gas & Electric	16	1.31	12.2
Southern Colorado Power	15	1.23	12.2
Southern Nevada Power	15	1.39	10.8
Upper Peninsula Power	23	2.46	9.3

Of course not all of the stocks mentioned in this column are bargains, but the list indicates that there is still a fairly good range of choice, particularly if the investor does not object to buying stocks of some of the smaller utiltes. Formerly there was a much wider spread between yields on large and small utilities; this has gradually narrowed as investors have come to realize that there is not much basic difference in operations, and that the smaller utilities sometimes get a better regulatory deal on rates.

N. Y. Capital Fund Com. Shares Offered

Public offering of 1,000,000 common shares of New York Capital Fund of Canada, Ltd., a new investment company organized in Canada, was made on Aug. 16 by a nation-wide group of 104 underwriters headed by Carl M. Loeb, Rhoades & Co. at $25 per share.

The fund was incorporated on June 16, 1954 and is registered under the United States Investment Company Act of 1940 as a non-diversified open-end management investment company. Creation of this investment trust gives expression to the objectives of both the Canadian and the American Government to foster the international flow of capital. Differing from other Canadian funds recently formed, the New York Capital Fund of Canada, Ltd., under its charter, may invest up to one-third of its assets outside of Canada and it is non-diversified. This means that there is no limitation upon the percentage of the fund's assets which may be invested in the securities of any one company. These two features will give the fund greater flexibility as it will enable concentration of commitments in investment opportunities which are most attractive.

The investment managers of the fund will be the Empire Trust Co. of New York; Stein, Roe & Farnham of Chicago, and Carl M. Loeb, Rhoades & Co. of New York. A substantial portion of the stock to be offered will be subscribed for by partners of and persons closely identified with the investment managers.

Joins Forbes & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert S. Layton has become associated with Forbes & Company, First National Bank Building. He was previously with Garrett-Bromfield & Co.

Continued from page 3

What's Wrong With The Stock Market?

Dow Jones Industrial averages stood at 289.54. Five months later they hit 345.

For members of the farm equipment or textile industry, whose earnings were down over 50% in the first quarter of 1954 as against 1953, this enhancement in stock prices must be difficult to understand. Even the steel or mining people, with only a 20% decline in the first quarter, must have trouble seeing the light. With railroad earnings down 45% one wonders why Mr. White didn't thank Mr. Young for craving the New York Central instead of fighting him so truculently.

To launch our industry into "What's Wrong With the Stock Market?", we might take a look at the money market. The United States now has money management whether we like it or not. It began with the Democrats and is being continued by the Republicans.

When Mr. Humphrey assumed his duties as Secretary of the Treasury we were still in an inflationary cycle. The voters demanded a cut in the cost of living and sound economy called for a halt in what threatened to be an uncontrolled boom, with the accompanying menace of a very unpleasant aftermath. The new Administration bravely adopted a tight money policy. Utilizing the various techniques and devices at his command, Mr. Humphrey proceeeded to contract the supply of money and credit. It became more expensive and more difficult to borrow at the banks. As a result, inventories were not so comfortably carried or expanded, and new projects were not so lightly undertaken. Before long the wave of inflation appeared to be receding and everything was just dandy.

But deflation and unemployment all too soon began to rear their ugly heads and concern over the future of business began to develop. Before much time elapsed the Treasury proceeded to reverse itself and adopted an easy money policy. Now the supply of money and credit was expanded and it became less difficult and expensive to borrow at the banks.

Although the reversal in money policy may not have reversed the decline in business, it at least served as a cushion. One of the bulwarks of our 1954 business activity has been the surprising strength in residential construction. The replenishment of our mortgage money supply, which had begun to dry up, has been of no little importance to building and exemplifies the effect monetary policy can have upon an industry.

Confidence—A Factor in the Stock Market

In the eyes of the stock market, the contribution to confidence has been more vital than any specific benefit derived from easy money. The Republican Administration had moved promptly to avoid at all costs a drastic decline in our economy. A recession would not be allowed to develop into a depression without vigorous opposition from the Federal Government. From the Republican Party, the traditional champion of the orthodox, the fierce antagonist of the radical, had come the obituary of *laissez-faire*. The conclusion was the value of a dollar might go down, the level of the stock market would probably go up.

Delving deeper into this mystery of business and securities traveling in opposite directions, I wish to quote from a discussion of mine entitled "The New Look in Common Stocks," published by the *Commercial and Financial Chronicle* in April, 1951:

"With all this historical background it is not surprising common stocks have ceased to be the playtoy of Wall Street and have taken up residence in the less glamorous but steadier environment of Main Street."

New Developments Regarding Common Stocks

The historical background referred to a number of developments going on at that time which had considerable bearing on the acceptance of common stocks as investments rather than speculations. Some of these developments were as follows:

In Massachusetts savings banks had been granted permission to invest in bank stocks which met specified requirements. Approbation was thus given by a conservative State to the theory that some types of equities deserve investment consideration comparable to that given bonds. The effect of this ruling on the prices of some of our bank stocks has been impressive.

In New Hampshire, another conservative State, a similar development was the approval of investment trust shares for purchase by savings banks. Again there were restrictions, with only the best of the funds being eligible.

In New York common stocks were made legal for life insurance companies and the Prudent Man Rule was promulgated as the governing factor in selecting investments for fiduciary accounts. By this ruling the pronouncement of Justice Putnam in 1830 that "Do what you will the capital is at risk" was accepted as justification for including common stocks in portfolios which had previously excluded them. Following New York's example, many other States have adopted the Prudent Man Rule still further expanding the list of new common stock investors.

Supplementing these new buyers was the emergence of pension funds in all important industrial centers. It has been estimated the pension funds now aggregate $17 billion, a vast amount of money, much of it finding its way to the stock market.

What a contrast these solid institutional buyers are to the flimsy speculators of the roaring 20's! Then a decline dislodged a multitude of petty marginal accounts whose liquidation in turn forced another flock to sell and so on *ad infinitum*. The fire fed itself. In recent markets a decline has been promptly greeted as an opportunity to acquire good values with payment being made with cash, not credit.

The end to this institutionalization of the stock market is not yet in sight. Thrift Plans are now becoming the vogue and are separate and distinct from Pension Funds. Typical is the one adopted this year by the Ohio Oil Co., of Findlay, Ohio. The interests of the participants are so carefully guarded there is a prospectus covering every minute detail, but basically the plan enables employees to invest 6% of their monthly salaries in the program and receive a matching 3% from the employer. The employee is free to choose whether his funds shall be placed in United States Savings Bonds, Ohio Oil common stock, or one of four investment trusts.

The response to the plan has been most enthusiastic. That Thrift Plans will soon become standard equipment among all large employers seems a reasonable assumption. The competition between corporations for intelligent, loyal personnel is assurance that an inducement like the Thrift Plan will not be lightly disregarded. The importance to the stock market of this new type of buyer is obvious.

Women as Buyers of Common Stocks

There is still another relatively new buyer of common stocks and that is the American women. The gentle sex now owns over 50% of American Tel. and Tel. and of Atchison, Topeka, Santa Fe, and nearly 50% of General Motors and U. S. Steel. Of all American stockholders 43% are feminine.

New if American women are to hold title to property on a scale like that would it not be wise for our husbands to begin educating their wives on fiscal subjects? Most men spend their lives slaving and saving, usually are gallant enough to depart from this world first, only to leave behind them a woman who is a financial illiterate. There is nothing in my business experience to indicate that acumen and aptitude for rendering monetary decisions are the exclusive possessions of the male, provided the female is equally versed in the problem.

When the layman strays into the laboratory of the atomic physicist he is certain to be confused with the nomenclature no matter what his I. Q. rating may be. The jargon of the securities business is no less bewildering. Bequeathing your estate in trust is no solution unless your wife at least understands the language the Trust Officer is using.

It is the solemn obligation of husbands to see that their widows are not as naive as the woman who is reported to have written as follows to Mr. Parker Williams, our Cleveland Collector of Internal Revenue:

"I got your application blank, but as I already belong to more clubs and societies than I really should, I must reluctantly decline at this particular time to join your income tax."

It is my sincere hope your widow will not be like the lady who fervently declared:

"I am going to live within my income if I have to borrow money to do it."

You might begin your wife's education by pointing out the sagacity of Shakespeare's Antonio when he commented that his ventures were not confined to one vessel, one place or even one year. He concluded, "Therefore my merchandise makes me not sad."

You might continue your wife's education by suggesting she consult her broker, banker, economist and sociologist. The broker will tell her the present level of the stock market was attained by cash purchases for investment purposes, not by margin accounts hoping for quick profits. Her banker will explain the enormous gain in our money supply since 1929. The economist will point out that reduction in industrial and mercantile inventories has brought them into a better balance than has existed since Korea surprised us by demonstrating we can supply, at least in a limited war, both guns and butter for our people. And the sociologist will stress the growth in our population and the inevitable increase in the demand for goods and services.

These facts do constitute an indemnity bond against a drop in the general market, a decline in the stocks of a particular industry, or even a sell-off in your pet holding. They do auger well for the future of American prosperity and also for income and appreciation opportunities in common stocks. They give promise that stocks will enjoy investment characteristics to a far greater degree than in the past.

Confidence Is a Prerequisite to Investment

There is one aspect of the rise in common stock prices not generally appreciated. A prerequisite to an investment is confidence. Almost as important is pride. Profit is not the only satisfaction of the successful investor. Who has not heard an investor boast about some company in which he owns stock? In fact, who has not boasted of his own selections? The stock market rise in the face of dwindling business volume is evidence of the confidence and pride Americans have in their industrial system.

Americans should be proud of their industry, for it is the chief hope of the free world to escape the periphery of the Iron Curtain. The free nations cannot exceed the slave countries in population. They can excel in production because of the vast industrial potential America has in readiness. Production is acknowledged to be the decisive weapon in modern warfare.

It is imperative that this mammoth machine of ours be kept intact. It must not be imperiled by politicians, whatever their label, who, in their zeal for votes, would hamper its operation in the guise of reform.

Our predicament is not unlike that of England in 1588. The Spanish Armada numbered 130 ships, the British Royal Navy 34. On the continent of Europe the Armada was regarded as invincible and a huge army was ready to invade Britain once the channel was cleared of her little fleet. England appeared hopelessly outnumbered and doomed to overwhelming defeat.

Queen Elizabeth rode bareheaded among her troops and said, "I am come among you at this time to lay down for my God and my people my honour and blood even in the dust."

When the great Armada at last arrived in the channel England had miraculously assembled a fleet of 197 vessels. Though smaller than the Spanish galleons, these ships drew less water, maneuvered more rapidly and fired three times to the enemy's one. They were the latest thing in naval accomplishment. About one-half of the Spanish fleet survived and reached home. England was saved. Her shipyards had been equal to the occasion.

Let us hope that if a hostile fleet of jet planes ever heads for America, or contemplates doing so, our factories, mills and laboratories will have us equally prepared to repel the enemy. If our economy remains untrammeled from political interference, the probabilities are excellent we will be capable of defending ourselves and arming our allies. For many months now, the stock market has been saying that in view of our industrial achievements in skill and capacity, America can face the future with supreme confidence.

Railroad Securities

"Door-to-Door Piggy-Back" Service, Though Deferred, Will Come

The decision of the Interstate Commerce Commission to suspend approval of tariffs for "door-to-door piggy-back" service until Jan. 15, 1955, unless it completes its inquiry and terminates its delaying order before then, came as a blow to the lines which had prepared to embark on this type of freight delivery. However, the railroads that already operate truck trailer services are unaffected.

As to the effect of the order, a statement was issued by the Pennsylvania Railroad pointing out it has already spent more than $1,270,000 in acquiring equipment for "piggy-back" operation, and this equipment will stand idle pending the final Interstate Commerce Commission decision regarding tariffs for the new service. Moreover, the company is holding up order for 200 flat cars, especially designed to hold the trucks for the "piggy-back" service. The cost of these trucks, to be built by the American Car and Foundry Company, is to be in the neighborhood of $2 million.

When the ICC had the tariffs for the "piggy-back" service under consideration, the trucking interests protested vigorously that the rail lines were seeking monopoly of transporation. The "piggy-back" plan was called a "hybrid" rail-motor device. But the device is by no means new. The business of hauling trailers on flat cars was begun in the mid-1930s by the New Haven and the Chicago Great Western; the Chicago & Eastern Illinois has been at it about six years. But the big move toward the rail-trailer service dates back only a few months.

In July alone, 10 big railroads began piggy-back operation between selected cities on their lines. Including the Pennsylvania—the nation's No. 1 freight carrier—they are: Baltimore & Ohio, Erie, Nickel Plate, Lackawanna, Lehigh Valley, Wabash, Reading, Katy, and Great Northern. The Southern Pacific, Union Pacific, and Chicago & North Western are "veterans" of several months in the business of hauling trailers.

Last fall, two leading railway equipment makers contributed new designs for 75-foot flats especially for trailer service. They were Pullman-Standard Car Manufacturing Co. and Electro-Motive Division of General Motors Corp., No. 1 locomotive builder. Electro-Motive has decided not to build cars, but to license other manufacturers to use its blueprints.

General Motors model is built solely for side rather than end or what railroaders call "circus" type loading. It has a depressed center floor so the trailer top will be sure to clear low bridges and tunnels.

Pullman-Standard Car Company has produced a "general purpose" flat car that can be used either to haul trailers, or to haul the steel or other freight that normally travels by flat car. Its deck can be raised or lowered like an elevator, if there's a clearance problem. Its hold-down devices can be raised or lowered to accommodate either side or end loading.

Despite the Interstate Commerce Commission's delaying order, it is expected that "piggy-back" and other devices for lowering transportation costs will be taken up by the railroads, to protect them against the serious competition of other forms of transportation. This development is in the nature of progress and the rail lines look to it as a means of improving their revenues.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is evident that the Government market, although still under the influence of the "vacation period," is not making out too badly as far as volume and activity is concerned. There are reports to the effect that the new money commitments and switches that are being made in the various issues have kept the market in what is termed "the fairly active side," especially for this time of the year. The downtrend in loans, particularly among some of the smaller deposit banks, is one of the important reasons for the current interest in Treasury issues.

The leading obligation at this time is the 2⅛% due Nov. 15, 1960, because it appears to fit so well into so many portfolios. Switches from the outstanding securities into the new 2⅛% bond continue at a good pace. There is also a good demand around for the longer-term 2½s because the maturity lengthening process continues in high gear.

New 2⅛% Bond in Strong Demand

The Government market is still in the process of finding permanent homes for the 2⅛s of 1960, but the floating supply of this issue is being cut down with each trading session. It is reported that a sizable amount of new money commitments are being made in the 2⅛% bond, with the bulk of this buying coming from commercial banks in the southwest and far west.

However, the exchange method continues to supply a very large amount of the buying which is being done in the refunding 2⅛s, with switches, from most of the outstanding issues, being reported. The taking down of profits, as well as the cutting down of premiums, are among the reasons given for a good many of the swops out of the older marketable obligations into the new 2⅛s.

There are indications that a fairly important amount of buying is being done in the shorter-term Treasuries by certain institutional investors from profits in the equity market. It is reported that these investors have been sellers of high grade common stocks and, not wanting to put the funds into either the corporate or municipal markets, have gone into near-term Government issues.

Pension Funds Active in Market

Pension funds have again been active in the longer-term Treasury obligations, with the public ones doing most of this buying. New money is responsible for the bulk of the new commitments in the longer Governments, although it is indicated that some sizable switches have also been made by these same funds. It is reported that the 3¼s of 1978/83 have in some cases been sold, with the proceeds going into the later maturities of the 2½s. Private pension funds have been among the reportedly important buyers of the 2⅛s of 1960.

Maturity rearrangement is having an influence upon the volume and activity in the market, with commercial banks the leaders in this operation. It is reported that not a few of these institutions which have been rather near-term in maturities have decided to continue the program of lengthening them. The new 2⅛% bond has given those that want to move into the intermediate-term range an excellent opportunity to do just that.

On the other hand, there are certain deposit banks that are attracted to the longer-term obligations and these institutions have been making purchases of the eligible 2½s, with the 2½s due 9/15/67-72, reportedly still the favorite issue.

Loan Downtrend Market Factor

The need to maintain income, according to advices, is getting more than a passing amount of attention from some of the smaller deposit banks, because the commercial loan trend is down sharply in many cases. There have been some instances in which real estate loans have taken up part of the slack, but this demand now appears to have also slowed down quite a bit. Therefore, in order to keep earnings on an even keel, many of these banks are moving into the longer Government issues.

Interesting Study Issued

The Federal Reserve Bank of Kansas City, Mo., in the August issue of its bulletin, has a very interesting and informative article entitled "Market Interest Rates and Maturity of Issues." This article is concerned with the "Yield Curve," its construction and place in aiding investors in making decisions and selections of the various Treasury issues. It seems as though a copy of this bulletin should be of value to followers of the money markets.

Continued from page 15

In Praise of the New Housing Act

is carried out in placing into effect the Administration's new and forward looking program.

I refer to such things as the requirement that the leasehold device no longer may be used to build more costly rental accommodations than the law intends.

I refer to the fact that Congress has said the builder of a rental housing project should not have a mortgage of more than $5 million for any one project. We are going to see to it that this amount is not exceeded by subterfuge as has been the case in the past—when builders have had loans insured for as much as $20 million.

One of the things which may be troubling you builders is a requirement that, before the sale is made, you give the buyer of a new home a certificate showing the FHA appraisal of the property. This directive from the Congress was a little difficult of interpretation.

I have talked with the committees which worked on the legislation, however, and I am sure that we can make this provision work without imposing undue hardships upon the builders. If you do not have the FHA appraisal when your customer appears, you may give the prospective purchaser the opportunity to make a final decision—yes or no—when you do have the FHA appraisal. I am confident this will be according to the intent and the wishes of the Congress.

The length of time to study the safeguards has not been sufficient to measure what their effect will be. In the months immediately ahead, we will have an opportunity to evaluate them and it may be that some of them will be modified.

But the principle behind them is sound. Both President Eisenhower and the Congress have told me to make the FHA work for the benefit of the people of America. I'm going to try to do this.

I feel as if I have been placed behind the wheel of a new and very powerful automobile, handed the ignition keys and told to shove off. It is comforting to me to know that with all the increase in horsepower which has been built into the FHA, I also have a new set of brake linings.

The FHA now is prepared to move into localities where the roads previously where impassable. It is now prepared to extend its benefits to thousands of additional families.

The FHA operates entirely through private industry. It does not lend money and it does not build homes. Your government looks to you members of the Utah Housing Council and to the others like you who operate under the private enterprise system to perform these services. Heaven help us if the government ever deviates from this concept!

Yours is the vital role in supplying the homes which the people need and in raising the housing standards of America. The FHA as never before stands ready to help you.

Moors & Cabot To Admit

BOSTON, Mass.—On Sept. 1 Alden R. Wells will be admitted to partnership in Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges. Mr. Wells was in the past an officer of J. H. Goddard & Co., Inc.

Joins Fewel Staff

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Doris E. Cole has joined the staff of Fewel & Co., San Diego Trust & Savings Building, members of the Los Angeles Stock Exchange. Miss Cole was formerly with R. E. Evans & Co. as Cashier.

F. J. Connelly Admits

On Sept. 1, Paul V. Hall, member of the New York Stock Exchange, will become a Partner in F. J. Connelly & Co., 15 Broad Street, New York City, members of the New York Stock Exchange. Mr. Hall has been active as an individual floor broker.

Mutual Funds

By ROBERT R. RICH

THE EFFECT of rising prices for "blue chip" common stocks in recent months, together with increased volume of investor purchases of mutual funds, is indicated by the announcement that the net assets of Dividend Shares, Inc., exceeded $150,000,000 at the close of business Aug. 16, 1954—a gain of almost $30,000,000 since Dec. 31, 1953.

Dividend Shares, largest of the $300,000,000 group of funds managed by Calvin Bullock, concentrates its investments largely in the "blue chip" type of common stock. Currently the five largest of some 100 different common stock holdings are Standard Oil of New Jersey, International Paper, E. I duPont, Standard Oil of California and General Motors.

Sales of new shares in the first seven months of 1954 exceeded $10,000,000, with July sales representing the largest for any month this year and double those for July, 1953. At the present time the company has more than 68,000,000 shares outstanding, owned by over 65,000 investors.

THE VIEW that the stock market seems to be finally coming into line with the business levels, earnings and dividends which have prevailed for several years was expressed by A. Moyer Kulp, Vice-President and Executive Director of Investment Committee of the $350 million Wellington Fund.

Mr. Kulp, in a memorandum on the business situation and the security market outlook, pointed out that the market was able to close up this lag by the combined stimulating influence of easy money conditions and a more moderate downward readjustment of business than had been expected.

"The stock market," he observed, "is no longer cheap, nor is it valued excessively, as measured by historical price earnings, dividends and well protected yields. This," he noted, "provides full play for careful security analysis in discriminating between companies which may be valued optimistically from a short-term standpoint, as contrasted with those which are still laggards."

The Wellington executive referred to the business situation as "reassuring." Mr. Kulp prefaced this comment with the observation that while summer shutdowns are bringing about a greater lull in the third quarter than used to exist, some of the business that used to be done in the third quarter is now being pushed into the second and fourth quarters.

And he added: "Overall business activity has remained steady and if anything, is better than was expected earlier in the year. It continues to look as though business is forming a base from which normal seasonal improvement can develop in the fall."

CANADA'S OIL INDUSTRY although facing the type of problems caused by "growing pains," shows a record of "constant progress and a strong rate of growth" according to a study "Oil in Canada" just issued by the investment management department of Calvin Bullock.

The most serious problem facing the industry currently is that of transportation. "It appears that, giving effect to the possible reserves of Pembina and Sturgeon Lake, Canada could reach a production potential over the next year of 150,000 barrels a day above the 1953 mark, or a total of 500,000 barrels a day. Thus it appears that Canada could achieve theoretical self-sufficiency within a few years," the study observes.

"Self-sufficiency would enable Canada to effect a tremendous savings in foreign exchange, but it cannot be attained by matching production with consumption. In 1953, Canadian refineries ran 220,000 barrels daily of foreign crude of which 175,000 barrels were run in Quebec and Nova Scotia refineries. For the present, at least, these refineries can be served more cheaply with foreign than Canadian crude. Any substantial increase in crude output must therefore be marketed outside Canada."

However, the report points out, various new outlets are believed opening up for Canadian crude and by the end of 1955 a demand at the daily rate of 340,000 barrels of Canadian crude appears to be possible from Canadian and U. S. areas.

Natural gas transportation is also a major problem, states the article. "Except for local distribution, the production of natural gas in Canada has been held in check by lack of adequate outlets. Reserves are in the order of 16 trillion cubic feet, and on the basis of the discovery rate, it appears that reserves are ample for prospective demand.

"The refusal of the Federal Power Commission to grant permission to the Westcoast Transmission to carry gas from the Peace River area to the Pacific Northwest has dimmed the immediate outlook for this area which is geographically isolated from transportation to the East. Over the longer term, it is inconceivable that the reserves of this area will not be utilized by the gas hungry Pacific Coast area."

These, and other problems are, however, soluble according to the Bullock study which concludes: "So much has been accomplished in a relatively few years that one may be justified in viewing the future of the oil industry in Canada with firm confidence."

SOVEREIGN INVESTORS reporting as of July 31, 1954 shows record high figures in total net assets, number of stockholders and shares outstanding.

Assets were $1,005,549.90, compared with $748,813.38 Dec. 31, 1953, or a net gain of more than 34% for the first seven months of 1954.

AFFILIATED FUND'S quarterly report to shareholders contains the following comment with respect to capital gain distributions by President H. I. Prankard 2nd:

"In those years in which our sales of portfolio securities have resulted in net realized profits, it has been our policy to make a capital gain distribution in October, the final month of our fiscal year. No Federal income taxes were payable on such profits to the extent they were distributed within the company's fiscal years. Current tax laws permit us to defer the distribution of any net profits we might realize until after the end of our fiscal year and still receive the same tax benefits as if we had distributed them before the end of the year. This is a desirable change since it enables us to defer the declaration of any capital gain distributions until the exact results of our security transactions for the year are known. *Therefore, if the company should have net realized security profits for the current fiscal year, they will be distributed shortly after the close of our fiscal year rather than in October, as heretofore.*"

HUDSON FUND recorded a 23.7% increase in net assets in the 12 months ended June 30, last, with total resources of the Fund at $5,057,092 compared with $4,085,499 on June 30, 1953.

The Fund's largest single common stock holding by industry, according to the report, was in natural gas utilities and accounted for 15.9% of net assets. Other common stock industry groups included: electric utilities, 12.0% of net assets; chemicals and drugs, 7.8%; manufacturing and miscellaneous 7.8%; merchandising, 5.7%; metals and mining, 5.5%; railroads, 5.2%; and oil, 5.0%.

THE GEORGE PUTMAN Fund of Boston reports that its 1954 sales are continuing to increase. Total sales in July were up 35% over The Fund's largest previous July record.

For the first seven months of this year, sales were 20% higher than for same period in 1953.

MASSACHUSETTS Life Fund, in its semi-annual report for the six months ended June 30, 1954, reports total net assets of $18,543,038, equal to $31.74 a share on 584,225 shares outstanding, new highs, compared with total net assets of $16,148,335, equal to $28.61 a share on 564,370 shares outstanding on Dec. 31, 1953. Total net assets have increased 14% since the year-end.

On June 30, 1954, common stocks represented 61% of the fund's assets, with 38% in bonds and preferred stocks, and 1% in cash. These compared with 56% in common stocks, 43% in bonds and preferred stocks, and 1% in cash and receivables at the end of 1953.

Added to the fund's portfolio during the second quarter were: bonds, Northern Natural Gas Co. 3¼s, 1973; preferred stocks, American Airlines, Inc., 3½% conv.; and common stock of International Harvester Co.

Eliminated were: bonds, Northern Natural Gas Co. 4½s, 1973; preferred stocks, Connecticut Light & Power Co. $2.20; and common stocks in Johns-Manville Corp. and Montgomery Ward & Co.

NET ASSET value per share of Van Strum & Towne Stock Fund Inc., has increased 23% since the first of the year, according to Somerset Securities Corporation, principal underwriter of the fund.

Net asset value as of Dec. 31, last, was $7.78 per share, and on July 27, $9.58 per share. The current value of the portfolio is approximately $3,701,000.

PURITAN FUND, INC. reports for its fiscal year ended July 31, 1954, an increase of 110% in net assets to $1,887,069 from $898,998 at the end of its previous fiscal year. The number of shares outstanding increased almost 76% to 113,760 from 64,671 a year ago. As of July 31, 1954, net asset value per share was $16.59 compared with $13.90 on July 31, 1953.

During the fiscal year just ended, income distributions totaling $0.79 per share were made, compared with $0.69 in the previous fiscal year. On Aug. 5, 1954 the fund also declared a distribution of $0.60 per share payable Aug. 20, 1954, from long-term capital gains realized during the fiscal year, as compared with a capital gains distribution of $0.06 per share a year ago.

This substantially increased capital gains disbursement reflects in part a rearrangement of the portfolio during the past fiscal year for the purpose of carrying out more fully the fund's primary investment objective of maximum income consistent with sound investment principles. The management also believes that, through constant research, securities can be found which not only provide a high return, but also offer better-than-average appreciation possibilities.

DE VEGH MUTUAL Fund, Inc., reports that its net asset value per share on June 30, 1954, was $44.50, as compared with $34.63 on June 30, 1953 and $43.26 on March 31, 1954. A distribution of $2.77 per share from long-term capital gains was paid in April, 1954, and dividends from net investment income amounting to 30 cents and 57 cents per share were paid in October, 1953, and April, 1954, respectively.

Shares outstanding of de Vegh Mutual Fund, Inc., on June 30, 1954, were 78,354, as compared with 56,365 on June 30, 1953, and 61,147 on March 31, 1954. Total net assets of de Vegh Mutual Fund, Inc., on June 30, 1954, were $3,487,051.04, as compared with $1,952,003.10 on June 30, 1953, and $3,645,424.82 on March 31, 1954.

DE VEGH INCOME Fund, Inc., reports that its net asset value per share on June 30, 1954, was $476,641.38, as compared with $300,413.03 on Dec. 31, 1953. The net asset value per share on June 30, 1954, was $11.67, as compared with $10.03 on Dec. 31, 1953.

FUTURES INC. announces that because it is short coffee, and each limit decline means about 10 cents gain per share and current coffee futures prices do not reflect free trading values, it has decided for shareholders protection not to accept new purchase orders for shares until free trading in coffee resumes.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Irving Trust Company, New York, announced on Aug. 13 the election of three Assistant Vice-Presidents and two Assistant Secretaries.

Burton B. Brown, a member of the staff of the Branch Office Division, was elected an Assistant Vice-President. He joined the Irving in 1953.

William E. Scott, formerly an Assistant Secretary, was named an Assistant Vice-President in the bank's Loan Administration Division. Starting with the Irving in 1945, he has had experience in a number of phases of the Division's work.

Edward D. Wilson, also elected an Assistant Vice-President, came to the Irving in 1953. He is an officer of the Irving's Mortgage and Real Estate Division.

Charles W. Haggerty was elected an Assistant Secretary. He is active in work with the Irving's customers in the Middle Atlantic and Central States.

James P. McIntosh was also named an Assistant Secretary. He is a member of the staff of the Loan Administration Division.

* * *

Appointment of Theodore F. Romig as an Assistant Vice-President of **Manufacturers Trust Company, New York** was announced today by Horace C. Flanigan, President.

Mr. Romig began his banking career in 1916 with the **United National Bank** and came to Manufacturers Trust in 1928 through the merger of the two banks. In December, 1941 he was appointed an Assistant Secretary.

Mr. Romig, is assigned to the Bank's office in the Empire State Building at 350 Fifth Avenue, New York.

* * *

Percy L. Douglas, was elected a Director of **The New York Trust Company, New York** on Aug. 17, it was announced by Adrain M. Massie, Chairman of the Board.

* * *

Election of Edward A. Nash as President of the **Lafayette National Bank, Brooklyn, New York,** has been announced by Walter Jeffreys Carlin, Chairman of the Board of Directors. As Chairman of the Board, Colonel Carlin will continue in active management of the bank.

The newly elected President, who has been in banking for 36 years, resigned recently as President of the **Long Island Trust Co., Garden City, N. Y.,** to join the Lafayette National Bank.

* * *

Walter W. Friend, Jr., has been elected a trustee of the **City Savings Bank of Brooklyn, New York,** it was announced on Aug. 12 by J. Bertram Kelly, President. Mr. Friend is the third generation of his family to become a trustee of the bank, the announcement said.

* * *

Frederick Hainfeld, Jr., President of the **Long Island Trust Co., Garden City, New York,** announced that a capital stock offering of 11,500 shares to stockholders of the Trust Company of record at the close of business on July 20, 1954, has been heavily oversubscribed. The period for subscriptions to the new shares expired at 3 p.m. Aug. 12, 1954, at which time the total subscriptions amounted to 18,761.

Because of the large percentage of subscriptions by present stockholders with basic rights, which amounted to more than 92% of the 11,500 shares offered, those stockholders who subscribed to additional shares will be allotted only a small fraction of their oversubscriptions.

This additional issue increases the total number of shares outstanding to 100,000. Capital, surplus, and undivided profits of the bank now amount to over $2,322,590. In addition to the capital funds, contingencies, and valuation, reserves amounted to $474,692.76.

The additional stock issue together with the announcement of the proposed opening of the Stewart Ave. East office at 839 Stewart Avenue in the early fall to serve the rapidly growing industrial and commercial area of Garden City East indicates another milestone in the more than 30-year history of the Long Island Trust Company.

A previous item on the stock offering was given in the Aug. 5 issue of the "Chronicle," page 504.

* * *

It was announced on Aug. 11 that Charles E. Clifton was elected President of the **Trust Company of New Jersey, Jersey City, N. J.** Mr. Clifton succeeds Paul Bestor, who becomes Chairman of the Executive Board. Mr. Clifton was Vice-President and Trust Officer in charge of the trust division.

* * *

The Ridgefield National Bank, Ridgefield, N. J., increased its common capital stock from $350,000 to $450,000 by sale of new stock effective Aug. 2.

* * *

Peoples Union Bank, McKeesport, Pa., has absorbed **Glass City Bank, Jeannette, Pa.,** effective Aug. 2.

* * *

Milton Knight, President, announced that effective Sept. 1, **The Commerce National Bank, Toledo, Ohio** will change its title to the **National Bank of Toledo, Ohio.**

* * *

Shiloh Savings Bank Co., Shiloh, Ohio was absorbed by **First National Bank, Mansfield, Ohio,** effective Aug. 2.

* * *

The National Branch Bank of Madison, Ind., with common stock of $150,000, was merged with and into the **Madison Safe Deposit and Trust Co., Madison, Ind.,** under the charter of the latter bank and under the title of **The Madison Bank and Trust Co., Madison, Ind.,** effective Aug. 2.

* * *

The **First Edina National Bank, Edina, Minn.** was issued a charter by the Office of the Comptroller of the Currency effective Aug. 2. The bank has a capital of $150,000 and a surplus of $395,931. Mr. E. W. Oredson is its President and Mr. T. C. Jackson is the Cashier. This is a conversion of **First Edina State Bank, Edina, Minn.**

* * *

First National Bank in Dallas, Dallas, Texas, with common stock of $15,000,000 and the **Dallas National Bank, Dallas, Texas,** with common stock of $2,500,000 consolidated, effective as of Aug. 7.

The consolidation was effected under the charter and title of "First National Bank in Dallas."

At the effective date of consolidation the consolidated bank will have capital stock of $18,000,000, divided into 1,800,000 shares of common stock of the par value of $10 each: surplus of $18,000,000; and undivided profits of not less than $5,700,000.

* * *

By sale of new stock effective Aug. 2 **The Valley National Bank of Phoenix, Ariz.,** increased its common capital stock from $5,000,000 to $6,000,000.

* * *

At its April, 1954 meeting the Board of Directors of the **Crocker First National Bank of San Francisco, Calif.** authorized a Committee to explore the possibility of combining the Crocker First National Bank with the **Bank of California, N. A.,** and the **California Bank of Los Angeles.** The Committee has concluded, after careful analysis and exhaustive conferences with representatives of the other banks, that a mutually acceptable basis for combining the three institutions is not available. At a conference attended by Committee members from each bank it was accordingly agreed that discussions on the subject should be terminated.

* * *

Bank of Montreal, Montreal, Canada shareholders are being offered rights to subscribe to 900,000 additional shares of the bank's capital stock at $30 per share in Canadian currency, on a basis of one new share for each four shares held of record Aug. 16, 1954, Gordon R. Ball, President of the bank, announced on Aug. 17. First since 1929, this issue of stock will perpetuate the traditional position of the Bank of Montreal which has long had the largest paid-up capital of any Canadian bank.

Mr. Ball explained that during July the bank had transferred $12,000,000 from its contingency reserve to its rest account, which brought it to $72,000,000 in relation to its paid-up capital of $36,000,000.

Upon completion of the new issue, the bank's capital account would be increased by $9,000,000 to a total of $45,000,000 and its rest account by $18,000,000 to a total of $90,000,000, making an aggregate of $135,000,000 — the highest figure in Canadian banking history.

In acquainting shareholders with the new financing, Mr. Ball said the issue of additional capital stock was "altogether appropriate at this time, having regard to the continued growth of our business in all departments." He pointed out that since the last issue of B of M stock 25 years ago the total assets had risen by some $1,435,000,000 to a present aggregate of approximately $2,400,000,000.

Since the new shares are not registered under the U. S. Securities Act of 1933, no subscription will be accepted from any shareholder whose recorded address is in the United States or in a territory or possession thereof. Such shareholders will, of course, be able to sell their rights.

While subscription rights are transferable, they must be exercised by the expiration date, Nov. 26, 1954.

Mr. Ball, stated on Aug. 17 that arrangements have been made with a group of investment dealers to purchase from the Bank, at a price to be determined, any of the new shares not subscribed for at the end of the subscription period Nov. 26, 1954. In addition, the arrangement provides for the purchase of shares represented by fractions, which because of the terms of the Bank Act, cannot now be offered.

The group, headed by A. E. Ames & Co. Limited, McLeod, Young Weir & Company Limited and Greenshields & Co. Inc., will comprise some 50 investment houses.

Joins Walter Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John F. Coughenour, Jr. has been added to the staff of Walter & Company, First National Bank Building.

Jos. Blumenthal Opens

BOSTON, Mass.—Joseph Blumenthal is engaging in a securities business from offices at 79 Milk Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

There was plenty of news last week on New York City banks to stimulate new interest in bank shares, revive talk of additional mergers and enliven an otherwise dull period in the market for these investments.

On Tuesday, Aug. 10, the details of the National City Bank proposed financing were made public. As had been rumored for about a week, the plan involves the offering of 2,500,000 shares of new stock to existing stockholders around the end of September. At the same time as the financing was announced, the National City increased the quarterly dividend from 55 cents to 60 cents or an annual rate of $2.40 as against $2.20.

One particularly significant aspect of the National City program is its size. The sale of 2,500,000 shares will provide about $130 million of new capital. This will represent the largest private bank financing effort in American history. It will give National City the greatest total of capital funds of any commercial bank in the country, approximately $570 million of capital, surplus and undivided profits. Such total would exceed the capital funds of the Bank of America, its nearest rival in size, by about $115 million and those of the Guaranty Trust by $170 million.

The number of shares would be increased from the present 7,500,000 to 10,000,000 with capital of National City being augmented by $50 million to a total of $200 million. The balance of the funds would be added to surplus.

It is interesting to speculate on why the National City is raising so much capital at the present time. In comparison with the other large city banks its present deposit-capital ratio compares favorably. The additional capital to be raised will lower the ratio to slightly below ten to one. Also, with interest rates easing and loan volume showing no particular bounce, it will be almost impossible for City to earn enough on the additional shares to prevent dilution of current earnings.

To pay the current dividend rate on the additional shares will require $6 million after taxes or about twice that much before taxes at existing rates. This would be equal to a rate of earnings of 4.58% after taxes and a considerably higher rate before taxes to support the present payment.

For these reasons, many bank analysts believe there is something more behind the sale of stock than just the desire to improve the bank's present capital position and provide for possible future growth. It is in this connection that other New York City bank mergers are being mentioned.

In other words, the National City bank could use the funds which it is raising next month to effect a cash merger with one of the other New York banks. Such action would give the surviving bank earning assets and business immediately. With its proposed capital position National City could support a fair amount of additional business.

Whether such action is actually in prospect is of course not known. However, the financing when completed will place the bank in a favorable position to consider such propositions as may develop.

The other major development in the New York banking field last week was the announcement that Chemical Bank was endeavoring to acquire the Corn Exchange Bank. To effect the merger Chemical was willing to give two shares of its stock for each share of Corn Exchange. The book value on June 30, 1954 of Chemical was $47.85 and Corn Exchange $69.75.

In terms of book value this amounts to about a 37% premium for the Corn Exchange stock. Of course there are certain hidden assets in the Corn Exchange picture. Security profits, principally U. S. Governments, are substantial. There are also real estate properties on the books considerably below the going market values. In addition there is the fact that Corn Exchange has 79 branch offices.

It would undoubtedly cost any bank a very sizable amount to go out and establish branches in desirable locations. By taking over an established business Chemical Bank is evidently willing to pay something for the going concern value of Corn Exchange. Whether the premium is too much is a difficult question and will depend to some extent upon subsequent developments.

Of course, there are still many problems to be solved before the merger can be accomplished. Indeed, the problems in many similar instances have been so complicated and involved that the mergers were called off. The present discount at which Corn Exchange sells, 85 as against a potential of close to 100, indicates that there are uncertain elements in the present situation.

With J. G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Arthur H. Bohlig is now with John G. Kinnard & Co., 733 South Seventh Street.

Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Alvin L. Barton, Jr. is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. He was previously with Edward D. Jones & Co.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Claude F. Malin has been added to the staff of Slayton & Company, Inc., 408 Olive Street.

Continued from page 4

The State of Trade and Industry

Overall business in August will turn out to be about the same as July. A sharp decline in automotive steel orders is offset by an increase in miscellaneous orders from small users. Eventually, automotive orders will undoubtedly pace an upturn in steel buying, as has been predicted, reports "The Iron Age."

Still, it is something of a paradox that while national attention is focused on the auto industry orders from small manufacturers and parts makers are keeping production from sagging still lower. Some new business is being turned up by hard selling efforts of steel salesmen who are visiting plants they had never called on before, declares this trade magazine.

While steel base prices are generally considered firm, efforts by several auto companies to breach the price line have been noted. So far they have not been successful. However, there has been at least one instance where specifications of material delivered were higher than was specified on the order. This is considered a form of price cutting, since the material was supposed to sell for more than the mill actually received, "The Iron Age" points out.

After holding steady for a week, steelmaking scrap prices are moving upward again. Increases this week raised "The Iron Age" Steel Scrap Composite Price 84c a ton to $28.67 per gross ton. Chief strength is now in eastern markets where higher export prices are forcing domestic consumers to pay more for maternal or go without.

Shortened work periods and blacked-out operations were reported by eight United States car and truck manufacturers last week as vehicle production hit the year's lowest five-day level.

"Ward's Automotive Reports" counted 115,504 cars and trucks, or 5.5% fewer completions than a week earlier. The trade publication noted that the Aug. 9-14 tally should fall some 35% under the same 1953 period (154,114) and a full 22% below the 1954 high of 148,645 vehicles reached in the week ending May 22.

Car and truck lines were down the past week at Studebaker, Willys, Kaiser, Federal and Nash factories. Hudson and DeSoto, meanwhile, put in only four days and Plymouth was idle Tuesday and Wednesday for inventory.

These setbacks, it states, held the week's United States car output to approximately 99,390 units—the first five-day total of 1954 to dip below the 100,000 mark.

The Independent group accounted for 1.6% of the weekly count as only Packard and Hudson were in operation; General Motors garnered 58.6%, Chrysler Corp. 7.5% and Ford Motor Co. 32.3%. Thus far in 1954 their respective shares of production are 4.1%, 52.2%, 12.5% and 31.2%.

Last week's truck erecting showed a 3.9% bulge as approximately 16,114 jobs were built, compared to 15,516 the previous week. Minor gains were posted by most truck builders, but an 18% boost at Chevrolet helped offset Studebaker's shutdown.

Cumulative United States counts to date in 1954 show that approximately 3,604,756 cars and 667,257 trucks have been produced. The tallies are 12% and 16%, respectively, under comparable 1953 marks of 4,096,382 and 793,415 units.

Canadian production for the week followed the United States pattern as cars showed a slight drop and trucks recorded a minor rise. Approximately 2,430 cars and 470 trucks rolled off assembly lines during Aug. 9-14, against 2,937 and 294 the prior week.

Steel Output Sheds 1.9 Points This Week

Look to the construction industry as a good source of business for a long time to come, says "Steel," the weekly magazine of metalworking, the current week.

Not only is that industry booming but a $75,000,000,000 backlog of needed construction is piling up, construction industry authorities say. Even if there are no further additions to this backlog it will represent a five-year building program at present rates of construction, continues this trade publication.

Among the needs are schoolrooms. A deficiency of 340,000 classrooms in this country is reported, and the deficiency is increasing every year as children from the heavy birthrate of the postwar years move into school.

This year, school projects are to a large extent responsible for a 4% rise in non-residential public building construction.

Commercial building for this year is expected to reach a new high of more than $1,000,000,000, up 15% from last year, it adds.

Bridge construction, this trade weekly states, is up 14% in dollar volume. Highway awards also are expected to be up 14% this year, largely because of toll road and turnpike projects. The highway building program is expected to continue growing because the present road system, built to carry 35,000,000 autos, is handling about 53,000,000, and because the surface of the roads, now a dozen years old on the average, is wearing out rapidly under the heavy traffic. Out of every dollar spent in highway construction nearly 9c goes for steel.

A decline in Federal public works projects has offset some of the gains in construction, but total dollars spent throughout the nation this year are expected to approach, and maybe equal, the record high set by construction last year, declares this trade paper.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 62.1% of capacity for the week beginning Aug. 16, 1954, equivalent to 1,481,000 tons of ingots and steel for castings, as against 1,525,000 tons and 64.0% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 65.3% and production 1,557,000 tons. A year ago the actual weekly production was placed at 2,162,000 tons or 95.9%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Car Loadings Register Broader Declines In the Latest Week

Loadings of revenue freight for the week ended Aug. 7, 1954, decreased 15,977 cars or 2.3% below the preceding week, according to the Association of American Railroads.

Loadings totaled 667,592 cars, a decrease of 117,757 cars or 15% below the corresponding 1953 week, and a decrease of 114,056 cars or 14.6% below the corresponding week in 1952.

Electric Output Edged Lower the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 14, 1954, was estimated at 8,996,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 63,000,000 kwh. from the preceding week but an increase of 482,000,000 kwh., or 5.7% over the comparable 1953 week and 1,369,000,000 kwh. over the like week in 1952.

U. S. Auto Output Last Week Affected by Shortened Work Periods and Blacked-Out Operations Again Registered Lowest Volume of Year

The automobile industry for the latest week, ended Aug. 13, 1954, according to "Ward's Automotive Reports," assembled an estimated 99,390 cars, compared with 105,421 (revised) in the previous week. The past week's production total of cars and trucks amounted to 115,504 units, a moderate decline below last week's output of 120,937 units, states "Ward's."

As a result of shortened work periods and blacked-out operations vehicle production was at the year's lowest five-day level last week.

Last week, the agency reported there were 16,114 trucks made in this country, as against 15,516 (revised) in the previous week and 25,168 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 2,430 cars and 470 trucks last week, against 2,937 cars and 294 trucks in the preceding week and 2,152 cars and 260 trucks in the comparable 1953 week.

Business Failures Rose Sharply in Retail Trade The Last Week

Commericial and industrial failures increased to 233 in the week ended Aug. 12, from 207 in the preceding week, according to Dun & Bradstreet, Inc. Reaching the highest level in 12 weeks, casualties were considerably heavier than a year ago when 150 occurred or in 1952 when there were 141. Despite this upturn, mortality remained 8% below the prewar toll of 252 in the similar week of 1939.

Failures involving liabilities of $5,000 or more edged up to 185 from 184 last week but exceeded sharply the 132 of this size in the comparable week of 1953. Most of the week's increases centered in small casualties, those with liabilities under $5,000, which climbed to 48 from 23 in the previous week and 18 a year ago. Liabilities in excess of $100,000 were involved in 14 of the week's failures, as against 16 last week.

Wholesale Food Price Index Holds Steady at $7.10 Level of Week Ago

After touching a six-month low last week, the Dun & Bradstreet wholesale food price index for Aug. 10, remained unchanged at the previous level of $7.10. This marks a drop of 4.8% from the year's high of $7.46 recorded on May 25, but it is still 7.1% above the $6.63 of a year ago.

Higher in wholesale cost last week were flour, wheat, corn, lard, eggs, raisins, steers and hogs. Declines appeared in rye, oats, sugar, coffee, cottonseed oil, cocoa, rice and currants.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Boosted the Past Week By Higher Grain and Foodstuff Prices

The general commodity price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, turned upward last week, aided by higher prices for some grains and certain other foodstuffs. The index rose to 272.59 on Aug. 10, from 271.37 a week earlier, and compared with 280.44 on the corresponding date a year ago.

Grain markets were unsettled and continued to be dominated by weather developments. Wheat advanced quite sharply, influenced by poorer prospects for the Spring wheat crop due to stem rust damage during July and the wide spread between current market values and the government loan price.

A private forecast placed the Spring wheat yield at 204,000,000 bushels, a substantial drop from the official July estimate of 230,000,000 bushels.

Corn and soybean futures showed strength at the beginning of the period but were under considerable pressure later following cooler weather and rains over many sections of the dry area. Oats and rye were also under pressure and declined moderately for the week. The volume of trading in grain and soybean futures on the Chicago Board of Trade averaged 52,000,000 bushels per day, against 55,000,000 the previous week, and 40,000,000 a year ago.

Bookings of Spring wheat bakery flours reached sizable proportions at mid-week when mills accorded substantial price concessions while the market was advancing.

Coffee prices moved in a narrow range and showed little change for the week. Some liquidation developed in late dealings following a report that the Brazilian Finance Minister had resigned, while some trade selling was prompted by weakness in the securities markets. Demand for lard improved and prices advanced moderately. Hog values scored further gains, particularly in the latter part of the week, when market receipts fell to the lowest levels since Spring.

After trending upward most of the week, spot cotton prices turned sharply downward at the close.

The decline was mainly influenced by the issuance of the August report of the Census Bureau indicating a crop of 12,680,000 bales. This was larger than the trade had expected and compared with 16,465,000 bales produced in 1953.

Activity in spot markets increased with sales in the ten markets reported at 83,900 bales in the week ended Aug. 5, compared with 67,800 a week earlier and 63,800 a year ago.

Trade Volume Hits Mid-Summer Doldrums in Latest Week

Consumers spent more for recreation, travel, and personal services and less for household items and apparel in the period ended on Wednesday of last week. The level of sales fell slightly below that of the preceding week and the comparable 1953 period. The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 3% below to 1% above that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England and East —5 to —1; Midwest —4 to 0; Northwest and Pacific Coast —2 to +2; South —1 to +3, and Southwest 0 to +4.

The jubilance of apparel manufacturers last week over their long-term prospects was not dimmed by some worries for the immediate future.

A furor was precipitated recently by Paris fashion showings featuring a new feminine silhouette—a radical style change.

Since the introduction of the "new look" seven years ago, women have worn a wide assortment of styles, and while there have been fashion innovations, few basic changes have occurred. The apparel industry has suffered therefrom, and a boost to business has been widely needed. Although American producers usually modify the styles, they draw heavily from European sources. Recently Paris designers introduced changes which can greatly improve depressed sectors of the apparel industry; they featured many uses for fur and drastically altered the cut of coats and suits. Fur, coats and suits have been hard hit in the past few years.

American manufacturers and retailers plan extensive promotions of the new fashions. Criticism may be heard that the styles are not flattering to the female figure, but a sufficient number of American women will want something new and different. Normal social processes will do the rest, and sooner or later, most women will have to replace their outmoded wardrobes, probably by next Spring or Summer.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 7, 1954 showed no change from the level of the preceding week. In the previous week July 31, 1954, an increase of 1% was reported from that of the similar week in 1953. For the four weeks ended Aug. 7, 1954, an increase of 2% was reported. For the period Jan. 1 to Aug. 7, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume for New York City the past week aided by strong promotions and cool weather managed to show a gain of 5% above the like week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 7, 1954, registered an increase of 1% above the like period of last year. In the preceding week, July 31, 1954 a decrease of 3% was reported from that of the similar week in 1953, while for the four weeks ended Aug. 7, 1954, an increase of 1% was reported. For the period Jan. 1 to Aug. 7, 1954, no change was registered from that of the 1953 period.

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. 22	§62.1	*64.0	65.3	95.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 22	1,481,000	*1,525,000	1,557,000	2,162,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 6	6,153,450	6,254,950	6,280,700	6,538,250
Crude runs to stills—daily average (bbls.)	Aug. 6	¶6,744,000	6,827,000	7,121,000	7,063,000
Gasoline output (bbls.)	Aug. 6	23,756,000	23,326,000	23,762,000	23,959,000
Kerosene output (bbls.)	Aug. 6	1,975,000	2,061,000	2,422,000	2,034,000
Distillate fuel oil output (bbls.)	Aug. 6	9,619,000	10,294,000	9,253,000	9,664,000
Residual fuel oil output (bbls.)	Aug. 6	7,485,000	7,419,000	8,117,000	8,576,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 6	156,808,000	158,402,000	163,712,000	141,479,000
Kerosene (bbls.) at	Aug. 6	32,539,000	31,368,000	29,078,000	31,220,000
Distillate fuel oil (bbls.) at	Aug. 6	105,077,000	100,439,000	90,719,000	106,460,000
Residual fuel oil (bbls.) at	Aug. 6	55,238,000	54,651,000	52,330,000	49,488,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 7	667,592	683,569	569,562	785,349
Revenue freight received from connections (no. of cars)	Aug. 7	573,645	568,153	478,396	650,623
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 12	$419,221,000	$368,623,000	$431,055,000	$311,332,000
Private construction	Aug. 12	268,697,000	241,014,000	254,577,000	167,693,000
Public construction	Aug. 12	150,524,000	127,609,000	176,478,000	143,639,000
State and municipal	Aug. 12	133,893,000	105,469,000	112,844,000	116,636,000
Federal	Aug. 12	16,631,000	22,140,000	63,634,000	27,003,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 7	7,400,000	7,500,000	5,340,000	9,359,000
Pennsylvania anthracite (tons)	Aug. 7	472,000	511,000	347,600	552,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 7	92	87	77	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 14	8,996,000	9,059,000	8,951,000	8,514,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 12	233	207	226	150
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 10	4.801c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Aug. 10	$56.59	$56.59	$56.59	$56.76
Scrap steel (per gross ton)	Aug. 10	$27.83	$27.83	$26.58	$44.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 11	29.700c	29.700c	29.700c	29.700c
Export refinery at	Aug. 11	29.400c	29.675c	29.550c	28.850c
Straits tin (New York) at	Aug. 11	93.250c	95.625c	96.500c	78.500c
Lead (New York) at	Aug. 11	14.000c	14.000c	14.000c	14.000c
Lead (St. Louis) at	Aug. 11	13.800c	13.800c	13.800c	13.800c
Zinc (East St. Louis) at	Aug. 11	11.000c	11.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 17	100.31	100.34	100.71	93.08
Average corporate	Aug. 17	110.70	110.52	110.34	104.14
Aaa	Aug. 17	115.82	115.63	115.24	108.88
Aa	Aug. 17	112.75	112.56	112.37	106.21
A	Aug. 17	110.52	110.15	109.97	103.30
Baa	Aug. 17	104.31	104.31	104.14	98.41
Railroad Group	Aug. 17	109.24	109.24	108.88	102.30
Public Utilities Group	Aug. 17	111.07	110.88	110.70	103.47
Industrials Group	Aug. 17	111.81	111.62	111.44	106.56
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 17	2.47	2.47	2.43	2.99
Average corporate	Aug. 17	3.13	3.14	3.15	3.50
Aaa	Aug. 17	2.86	2.87	2.89	3.23
Aa	Aug. 17	3.02	3.03	3.04	3.38
A	Aug. 17	3.14	3.16	3.17	3.55
Baa	Aug. 17	3.49	3.49	3.50	3.85
Railroad Group	Aug. 17	3.21	3.21	3.23	3.61
Public Utilities Group	Aug. 17	3.11	3.12	3.13	3.54
Industrials Group	Aug. 17	3.07	3.08	3.09	3.36
MOODY'S COMMODITY INDEX	Aug. 17	424.4	429.1	432.3	421.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 7	277,574	256,223	180,775	346,228
Production (tons)	Aug. 7	245,341	237,843	126,542	261,943
Percentage of activity	Aug. 7	91	90	46	98
Unfilled orders (tons) at end of period	Aug. 7	416,866	390,265	417,331	608,519
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 13	106.85	107.03	106.80	106.05
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 31	1,162,832	1,160,703	1,038,593	626,405
Dollar value	July 31	$52,515,998	$53,097,672	$51,125,583	$28,221,869
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	July 31	1,150,209	1,156,234	1,014,840	547,472
Customers' short sales	July 31	8,633	8,700	9,040	4,578
Customers' other sales	July 31	1,141,576	1,147,534	1,005,800	542,894
Dollar value	July 31	$48,237,271	$49,334,769	$45,735,376	$21,535,810
Round-lot sales by dealers—					
Number of shares—Total sales	July 31	348,260	358,590	314,280	178,530
Short sales	July 31	------	------		
Other sales	July 31	348,260	358,590	314,280	178,530
Round-lot purchases by dealers—					
Number of shares	July 31	367,620	358,150	329,250	253,700
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 24	485,520	499,180	496,990	189,020
Other sales	July 24	12,927,560	12,922,800	10,323,190	4,373,610
Total sales	July 24	13,413,080	13,421,980	10,820,180	4,562,630
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 24	1,513,580	1,372,110	1,131,710	438,360
Short sales	July 24	290,580	284,970	226,840	61,260
Other sales	July 24	1,261,610	1,123,850	888,590	385,660
Total sales	July 24	1,552,190	1,408,820	1,115,430	446,920
Other transactions initiated on the floor—					
Total purchases	July 24	456,350	371,130	326,720	81,120
Short sales	July 24	22,120	9,330	23,300	15,600
Other sales	July 24	454,260	404,010	303,340	78,280
Total sales	July 24	476,380	413,340	326,640	93,880
Other transactions initiated off the floor—					
Total purchases	July 24	400,602	477,890	339,425	191,395
Short sales	July 24	47,220	77,570	102,810	54,300
Other sales	July 24	476,200	532,355	404,080	218,478
Total sales	July 24	523,420	609,925	506,890	272,778
Total round-lot transactions for account of members—					
Total purchases	July 24	2,370,532	2,221,130	1,797,855	710,875
Short sales	July 24	359,920	371,870	352,950	131,160
Other sales	July 24	2,192,070	2,060,215	1,596,010	682,418
Total sales	July 24	2,551,990	2,432,085	1,948,960	813,578
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 10	110.2	*110.1	110.2	110.5
Farm products	Aug. 10	95.6	*95.3	95.9	96.3
Processed foods	Aug. 10	105.2	*104.8	105.6	104.8
Meats	Aug. 10	88.6	87.2	94.3	93.1
All commodities other than farm and foods	Aug. 10	114.3	*114.4	114.2	114.8

*Revised figure. ¶Includes 673,000 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
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	6,635,000	*7,363,634	9,275,673
Shipments of steel products (net tons)—Month of June	5,887,488	5,423,168	6,950,059
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$225,154,000	$246,264,000	$212,686,000
Exports	135,809,000	142,919,000	115,327,000
Domestic shipments	18,072,000	15,362,000	10,696,000
Domestic warehouse credits	72,777,000	80,970,000	21,226,000
Dollar exchange	91,964,000	59,715,000	39,990,000
Based on goods stored and shipped between foreign countries	45,581,000	43,396,000	35,034,000
Total	$589,357,000	$588,626,000	$434,959,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of May: (000's omitted):			
All building construction	$898,656	$949,948	$919,605
New residential	495,032	531,990	484,384
New non-residential	296,351	305,242	318,845
Additions, alterations, etc.	107,273	112,716	116,375
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of July (in millions):			
Total new construction	$3,513	$3,358	$3,325
Private construction	2,377	2,276	2,218
Residential building (nonfarm)	1,237	1,183	1,126
New dwelling units	1,095	1,040	990
Additions and alterations	113	114	112
Nonhousekeeping	29	29	24
Nonresidential building (nonfarm)	554	527	489
Industrial	164	164	178
Commercial	203	188	165
Warehouses, office and loft buildings	81	76	60
Stores, restaurants, and garages	122	112	105
Other nonresidential building	187	175	148
Religious	51	46	40
Educational	51	47	36
Social and recreational	21	20	15
Hospital and institutional	29	28	27
Miscellaneous	35	34	30
Farm construction	164	157	182
Public utilities	410	398	408
Railroad	36	35	39
Telephone and telegraph	55	54	55
Other public utilities	319	309	314
All other private	12	11	13
Public construction	1,136	1,082	1,107
Residential building	26	29	46
Nonresidential building	409	399	373
Industrial	133	133	153
Educational	177	175	147
Hospital and institutional	34	34	28
Other nonresidential building	65	57	45
Military facilities	90	81	122
Highways	415	385	382
Sewer and water	90	86	77
Miscellaneous public service enterprises	22	20	20
Conservation and development	69	67	77
All other public	15	15	10
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	4,639,979	*4,802,245	6,658,600
Oven coke (net tons)	4,608,874	*4,772,388	6,154,500
Beehive coke (net tons)	31,105	*29,857	504,100
Oven coke stock at end of month (net tons)	2,973,037	3,011,996	2,129,468
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of July 31 (000's omitted)	$749,000	$656,000	$429,000
COPPER INSTITUTE—For month of July:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	73,755	*85,329	88,063
Refined (tons of 2,000 pounds)	107,095	112,121	122,036
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	97,436	106,252	104,481
Refined copper stocks at end of period (tons of 2,000 pounds)	68,921	69,181	77,100
COTTON GINNING (DEPT. OF COMMERCE)— To Aug. 1 (running bales)	389,386	------	345,860
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— As of August 1 (in thousands):			
Corn, all (bushels)	2,824,078	3,311,493	3,176,615
Wheat, all (bushels)	977,537	988,321	1,168,536
Winter (bushels)	775,900	758,440	877,511
All spring (bushels)	201,637	229,881	291,025
Durum (bushels)	12,436	18,654	12,967
Other spring (bushels)	189,201	211,227	278,058
Oats (bushels)	1,529,283	1,544,674	1,216,416
Barley (bushels)	372,648	372,519	241,015
Rye (bushels)	23,293	23,102	17,998
Flaxseed (bushels)	46,244	50,359	36,813
Rice (100 lb. bags)	61,360	60,159	52,529
Sorghum grain (bushels)	135,726	------	109,022
Cotton (bales)	12,680	------	16,465
Hay, all (tons)	101,216	107,494	105,300
Hay, wild (tons)	10,812	11,752	12,216
Hay, alfalfa (tons)	45,955	48,336	44,374
Hay, clover and timothy (tons)	26,131	27,232	29,851
Hay, lespedeza (tons)	3,915	5,079	4,129
Beans, dry edible (100 lb. bags)	19,337	18,690	18,114
Peas, dry field (100-lb. bags)	3,909	3,798	3,350
Soybeans for beans (bushels)	303,577	------	262,341
Peanuts (pounds)	1,267,950	------	1,588,415
Potatoes (bushels)	344,581	345,622	373,711
Sweetpotatoes (bushels)	30,939	32,669	33,974
Tobacco (pounds)	2,105,021	2,021,923	2,057,221
Sugarcane for sugar and seed (tons)	6,844	6,706	7,661
Sugar beets (tons)	13,195	13,019	12,084
Broomcorn (tons)	24	------	30
Hops (pounds)	43,362	43,475	41,803
Apples, commercial crop (bushels)	101,521	101,999	92,877
Peaches (bushels)	62,103	62,721	64,473
Pears (bushels)	29,151	28,831	29,081
Grapes (tons)	2,652	2,702	2,696
Cherries (12 States) (tons)	192	187	224
Apricots (3 States) (tons)	160	167	243
Pecans (pounds)	130,628	------	211,660
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	32,482,546	32,885,050	31,165,244
Revenue from ultimate customers—month of May	$579,131,000	$585,598,000	$547,618,000
Number of ultimate customers at May 31	50,351,847	50,200,577	48,936,156
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1953-39 average=100)	103.4	103.8	118.9

Securities Salesman's Corner

By JOHN DUTTON

Can You Create Opportunity?

If there is one ability that will be helpful in building a clientele it is that certain quality which some men possess that enables them to turn an ordinary set of circumstances to their advantage. This takes creative imagination and some thinking ahead.

Here's an example — I once knew of a salesman who took some ordinary prospect cards and made the round of calls. He came back to the office and turned in about 90% of the names as worthless. In going over the list he was asked about one name and he said, "Oh, he's no prospect. The man owns a small barber shop and he wouldn't be worth calling on."

Another salesman knew this barber. He always went to this shop to have his hair cut and he realized that since the inquiry was from a man who did have limited funds to invest the first salesman was right. But he went just one step farther than the first salesman who turned the lead back as N. G. He reasoned that if he could obtain a small order from this barber, he might secure quite a few prospects as a result. He also knew that this barber had a very high type clientele, and he was also well liked by a number of substantial business and professional men who had long been getting their hair cuts from him for many years. So he made a call on the barber. As a result he obtained a small order for some stock in a local company that was held in high regard in the community. There was a dividend or two and the stock had a rise in market value. He kept his barber friend posted.

One day he was surprised to get a telephone call from him telling him that he should get in touch with one of the town's leading commercial bankers concerning the same stock the barber had bought. He did so and obtained an order for several hundred shares which he eventually completed for the banker. Several of the other officers of the same bank then became customers for some of the same stock. Before he got through he traded over 3,000 shares at a very nice profit to his firm and himself. Besides, he now has several substantial new customers. The first man only saw a small possibility of the one initial sale—the second salesman knew that barbers talk and this one was a good man to have on his team.

There are always methods of creating business that can be used by the salesman who is alert to opportunity. Many times the officers and directors of companies that are doing business with another firm, are very interested in looking into the investment possibilities offered under such circumstances.

I remember that a certain small steel fabricating company that purchased large amounts of sheet steel from one of the largest companies in the steel industry, offered an opportunity to open accounts with the officers of the latter company to a salesman who was enterprising enough to go into their offices and offer the stock. He just wrote on his card, "Would like to see you about the XYZ Company." He started with the sales manager and he got an order from him, then he sold the secretary, the treasurer, and two vice-presidents. Not only that—he opened accounts that he could not have reached in any other way.

No customer is unimportant. All people know people. Ask for customers. The other day a small client of mine who is very friendly said, "A friend of mine asked me about a certain stock and she named it. What do you think?" I told her my opinion. Then I said, "How about sending this friend in to me the next time she has a question about stocks? Don't you think it's about time you sent me a few customers?" She laughed, and said, "Why that's right, I ought to do that. I never thought you needed any, that's why I didn't do it!" All of this was in a joking way but before I got through, she gave me the names of five of her friends who were thinking about investing, and she said that it would certainly be alright with her if I wrote them a letter and invited them to call to see me anytime they were in the neighborhood. If I hadn't mentioned it the opportunity would have passed by. The time was right.

I have sold presidents of great companies, doctors, lawyers, dentists, housewives, school teachers, business executives, college professors, friends, acquaintances, and people I have never known before in my life. You don't know where you are going to find business; but you have to be on the lookout for it, morning, noon and night. It is all around us—but the man who doesn't look won't find it.

Continued from page 16

More Emphasis on Retailing!

stores of the same class in the community.

Store managers report they are benefited by having their customers rate them. They say they do act upon the criticisms made and try to remove the source of criticism, with good results. They say—and this is very important to any retailer—that the salespeople take much more seriously the written criticism of the public than they do the oral remarks of their immediate superiors. The critique serves to jolt both managers and salespeople out of their complacency and the lax selling habits of the wartime- and post-war periods. It was said by more than one manager that their younger employees—whose business life goes back no further than the Second World War—had little concept of what it meant to sell, in the pre-war meaning of the term.

Sometimes the ballot box approach is supplemented by teams of trained students from collegiate schools of business, who run a survey of a town. They interview the customers, in person, and elicit much wider responses than the ballot-box system.

A Case in Point

May I tell you a story of what happened in one small town in the Mid-West where such a team was turned loose. The stores of that town, almost without exception, had suffered a falling off in their general annual receipts. Yet there was no drought, no factory unemployment — no good reason discernible.

The store-owners in this town had racked their brains and couldn't find the answer. Finally they called in the University Business School team. And that team had not been in the town two days before the answer to the mystery was uncovered.

This town had a produce merchant who had a practical monopoly of buying the butter, eggs and chickens which farmers and their wives brought in. It was discovered that this produce-buyer was paying prices a shade under the level current in other nearby towns. He was getting the name of "skin-flint" and presently, the whole town with its merchants were given a bad name. The farmers tended to boycott the town in buying their own necessities.

When this fact of life was brought to the attention of the merchants of the town, they quickly had a talk with the produce-buyer, told him he would have to mend his ways, then conducted a short advertising campaign to convince the farmers that they would get as good or better treatment than in adjoining communities.

Store receipts immediately began to climb! This is an example of what a little honest criticism can do for merchants, even when the fault is really on a community level.

The way the Small Business Administration comes into the Customer Evaluation Program is that we are a national sponsor, cultivating area sponsors like state chambers of commerce, which, in turn, cooperate with local chambers of commerce, to put on the project. We will soon have a pamphlet out on the subject.

This Program is ideal for a community of 75,000 inhabitants or under. Soon it is to be given a trial in a city of just under half a million.

It might have some meaning for you. It might help you chart some of the unknown recesses of your customers' minds, telling you what areas of sales resistance there are. It is easier to remove an irritant than to fight against it, ignorant and in the dark. In the case of getting the straight information on your business and how your customers rate it, you may find that knowledge is — profits.

Your stock in trade is not only diamonds, watches, silverware, karat-gold jewelry and filled novelty jewelry, but reliability. You are people who are reliable—and trustworthy.

Trust and confidence have a certain capitalized value. People are willing to pay a bit more, to feel better in their own minds that they are getting a fair money's worth by dealing with a reputable, established merchant—but there are limits beyond which this capitalized value should not be stretched. As jewelers it might be worth your while to really learn from your customers what they think about you and if you are actually providing those most precious ingredients of your business—trust and confidence—and if they think you are exacting the right price for it.

As proprietors of jewelry stores, which are luxury trade stores of the highest degree, you are naturally interested that the faith and confidence of your customers should be kept high. You are also interested in the general economic level of your customers.

Business Is Improving

Your business prosperity depends directly upon the general level of prosperity. And that general level of prosperity is still high. It is under that of 1953—the all-time record high, but as good or better than 1952—which was a year generally regarded as something of a wonder until 1953 came along.

We have every cause to believe that the present leveling out is just a prelude to another upturn, as the leading economists of this Administration have been saying.

Employment for June increased by nearly a million persons, absorbing the graduates of schools and colleges.

Manufacturers inventories have been decreasing at the annual rate of more than $5 billion.

Sales of new and used cars are taking a decided turn for the better.

Department store receipts are higher, in many cases, than last year's record.

So, there is nothing really wrong with the general level of income and prosperity.

Once that level is taken as the *datum* point we find two figures which are highly important to a luxury trade, like retail jewelry.

One is the figure representing disposable personal income—that is, the income people have left after paying taxes.

Well, there is going to be more money left, after taxes this year and next year than any year in the last several. This is because taxes have just been reduced, both for business and for individuals. The new act passed by Congress sets the capstone upon a series of reductions totaling $7,400,000,000 since last January. As an incident to that reduction, your own businesses feel the weight of taxes somewhat less heavily—both from the standpoint of income tax and reduction of the excise tax from 20% to 10%.

This is in accord with President Eisenhower's expressed purpose, in the State of the Union message, when he asked for a tax law to "remove the more glaring tax inequities, particularly on small tax-payers; reduce restraints on the growth of small business; and make other changes that will encourage initiative, enterprise and production."

According to preliminary government estimates, disposable personal income declined somewhat in the second quarter of 1954, as against the first quarter, but remained close to its all-time peak. For those who choose to measure everything by 1953, it should be pointed out that disposable personal income for the first and second quarters of 1954, exceeded the disposable personal income of the first and second quarters of 1953.

So, the disposable personal income picture continues bright, with yet more sunshine over the hill when the new tax reductions go into effect.

The second important figure, from the standpoint of the luxury trades, is the figures for discretionary spending — the dollars above the bare necessity level.

Some wag has said that people first have to pay taxes and then they have to live. The living which embraces discretionary spending is for such things as food, shelter, clothing, heat and light. It does not comprise any luxuries, whatever.

The most important fact to remember is that discretionary spending power is now more than twice as great as it was in 1940, even allowing for the fact of inflation of the dollar, since then.

And what about the outlook for the discretionary spending dollar? Is it to be large or small, after the strict necessities have been substracted?

By far the biggest item in the budget of the housewife for necessities is food. And what are the prospects for the cost of food? Just last week the Department of Agriculture released a report in which it said that, whereas food prices are still high, the outlook for retail prices in the remainder of 1954 is that they should decline "a little more than usual." This is due to heavy farm marketings which should push food supplies above last year's level.

Rents and prices of real estate are in a period of decline, generally, pushed downward by record housing starts. The price of textiles and clothing, while steady now, is 13% down from last year, with no real prospect of going higher this year.

So, you see, your rivals—the prior claimants for the consumer dollar, like food, housing, clothes, heat and light—are not going to stage any upsurge.

About the only real rival you have in the luxury market is the automobile. Automobiles have tended to soak up a huge amount of disposable income and discretionary spending dollars. But there are indications that this country has reached a buyers' market even on automobiles. I need point only to the intense rivalry being exhibited in the low price car field.

Some of you may resent my reference to jewelry as a "luxury." Jewelry is an absolute necessity, in some cases, that I know.

Rate of Family Formation

Probably the biggest single trigger to the general economy is the rate of family formation. How far would family formation get without you retail jewelers?

Why, it isn't even legal without a ring!

Or maybe, two rings!

The modern miss regards her rings as fully as important as the preacher.

So, in a sense, you jewelers are basic to basic industry!

Please accept my apologies for speaking of you as dealers in luxuries!

The immediate future is bright for the general economy.

And if the immediate future is bright, the middle future of the next five to ten years is positively brilliant!

When you consider that changes are going on, with greater speed than ever before, in our whole physical and economic set-up, and that these changes will inevitably translate themselves into needs of a titanic order, one can only react with awe and wonder.

Take our population. Total births in 1953 were just under 4,000,000 — the highest ever recorded. Every day nearly 11,000 babies are born. The net increase of population is 7,000 a day. Just think! Our economy has to provide 7,000 more of the ordinary needs every day than it did the day before, on a progressive basis. Each month we add to our population more than the people living in a city the size of Omaha, Nebr., or Toledo, Ohio. Each year we are adding the populations of a Los Angeles plus a New Orleans with all their wants and needs. By 1960, our population will be close to 180,000,000.

The second big change is that we have more new families. Over half the couples living together today were married within the last 13 years. A larger portion of our adult population is married than ever before and they marry younger.

Which leads to the third big change — we are raising bigger families. In 1953, births of second children were 91% greater than in 1940; births of third children were 86% greater and fourth children 71% greater.

Jobs are keeping up with the increase in population. More than 60,000,000 persons are working today in non-agricultural pursuits. That is more people working this month than in any month at this time of year in the nation's history, except for the same time in 1953, when — incidentally — this same Administration was in office.

Changes for the Good

A change for the good is that we are earning more money—on both a positive and a comparative scale. In 1941, the average middle-income family earned $1,430. In 1952, a year which should be a good comparison with this year, this figure had climbed to $3,981. Nine times more Americans are in the $5,000-and-over income bracket as against 1941.

Another item of change is that people are getting more and better education. We have 80% more high school graduates and 55% more people in college than in 1940.

We are making tremendous technological progress. Just think of this one statistic alone: 95% of all the industrial work done in the United States is performed by machines!

Another great change is that America is going suburban. For a while all the movement was from the country to the city. Now the trend is reversing itself, partly. Our cities are decentralizing so rapidly that, in the 12 largest metropolitan areas, 72% of their growth was in the suburban areas between 1940 and 1950.

Our people are eating better and living better. Food has become a $60 billion market since the end of the war. We also have more leisure time and more time to travel.

So, what does all this add up to in terms of needs, of dynamic demand which cannot long be denied?

The experts tell us:

Our school facilities will have to be almost doubled in the next few years. Also, we need more and better highways, with traffic over them becoming 72% heavier than in 1942.

We must rebuild many of our cities and get rid of slums which the as uneconomic as they are unsightly.

We must build more new homes and remodel or rebuild the majority of our old dwellings. Half of all the homes in America are now 30 years old or older.

We must modernize much of industry. A continuous need exists for plant modernization—not only because existing plants wear out but because of technological change which is stepping up the tempo every year.

Better, faster, newer ways of doing things are making existing plants obsolete by the hour and day.

We need to increase our electrical output by 250%!

The cost of these things I have just mentioned add up to $500 billion — without including increases in electrical energy.

The total output of goods and services — that is, gross national product—for the United States in 1947 was $246.7 billion. For 1960, this figure is expected to rise to at least $416 billion in terms of present prices. Most economists put the figure of $550 billion on the gross national product to be expected in 1960.

When you consider that the gross national product for 1953—the best year we have ever known—was $367 billion, and compare this with the $550 billion which is projected for 1960, one can place in proper perspective the general trend of the next five years.

What tremendous prospects it opens up!

There has never been such technological change in the whole span of recorded time as has been seen in this country in the past 50 years. We are entering new dimensions of speed — who could have dreamed, even 10 years ago, of a man traveling at the rate of 1,300 miles per hour!

Who could have imagined, 25 years ago, the release of the mightiest power ever known to man—out of a double handful of uranium — a power absolutely unique in kind as well as degree, in that it does not derive from the sun, as all other sources of power eventually derive. In fact, it is the sun, itself, which we are unleashing here on earth.

We are in the age of electronics and only at the beginning of it—with guided missiles, radar, lightning mathematical calculators and even electronic brains which can solve problems in logic, give reasoned answers and lick the stuffing out of any chess champion.

We are in the age of medicine, biochemistry and anti-biotics and are approaching the secrets of life, itself, at the same time when implements are being developed to deal wholesale death.

No one knows what the next few years will hold as we approach an algebraic progression in the sciences and control over nature.

Vast Potentials Ahead

But we do know that this is an America of change—swift change, gigantic needs, titanic demands, vast potentials, unimagined possibilities!

All of these spell amazing opportunity for those who will but open their eyes and look about them in the present, who can project their vision beyond the present to behold the future.

All of this spells amazing opportunity if only we can keep our present system of Government and our free competitive enterprise system of economy; if we can only protect them from the menace of imperialistic world Communism and safeguard them from the predators of privilege and of scholastic managed-economy.

We have faith that we shall come through all perils, especially since we know that President Eisenhower is a dedicated champion of individual liberty and of free enterprise. He has expressed it in unmistakable terms; he has acted on it; he believes it and lives it.

He is a friend of small business. One of his cardinal principles is that small business, so far as possible, shall have a free area in which to expand, untrammelled by Government restrictions and controls.

With faith in the innate dynamism of our economy and our system of Government, we shall go along the road to a more secure, more prosperous America!

Continued from page 9

A Plan for Fighting Depressions

rying too much about it. Anxiety can be overdone. Unless exposed to the broad daylight of facts, it could lead to severe declines in buying and hence in production and employment."

President Eisenhower at a news conference on Feb. 10 said that he thought "it would be possible to mislead, and to a certain extent, frighten the country not into a major depression but a recession . . ."

Harlow Curtice, the President of General Motors, warned that "if those who persist in taking a pessimistic view of the future succeed in planting fear in the minds of the public, those seeds of fear could take root."

And the much-respected Committee for Economic Development, including as it does the top business brains of America, had a good deal to say about the people's state of mind in its thoughtful report called "Defense Against Recession."

"Another factor that deepens recessions and depressions," said the C.E.D. report, "is psychological. The onset of a recession naturally gives rise to fears of further declines in sales, prices and incomes. This causes individuals and businesses, and even governments, to hold back their expenditures. They think they will have greater need for the money later, or that prices will be lower, or that investments will not pay off.

"If people see no adequate forces likely to put an end to a decline, if they view even a mild recession as the beginning of a descent into a bottomless pit, the psychological reaction can be disastrous."

So there you had it—the psychological reaction simply could not be permitted to become disastrous. The question was: could advertising help prevent it?

It was obvious that nothing would be gained by psychological tricks. No mental abracadabra would work. Whatever was done this time had to be based on known facts. It had to be completely true. It had to be simon pure.

Facts for Optimism

Fortunately, the facts were there in profusion — wonderful, stimulating, optimistic facts about America, all pointing squarely toward the conclusion that we—baring war—face a brave, new future.

The research which supplied these facts was done mostly by J. Walter Thompson's brilliant Dr. Arno Johnson, and the facts were shaped into a presentation by the Joint Committee of the Association of National Advertisers and the American Association of Advertising Agencies. Let me give you just a sample of the exciting facts from the Future of America presentation:

Our Population Is Increasing and at an Astounding Pace

Total births in 1953 . . . approximately four million, the highest annual figure ever recorded. By 1960 our population will be close to 180 million. Every day nearly 11,000 babies are born. Each month we add to our population more than an Omaha, Nebr., a Norfolk, Va., or a Toledo, Ohio.

We're Raising Bigger Families

Not only are more people getting married, they've been having more children. In 1953, births of second children were 91% greater than in 1940; births of third children 86% greater; fourth children, 61% greater, and fifth children more than 15% greater.

Our People Are Living Longer

By 1960 our population over 65 years old will number 15½ million people. That's a million more than the entire population of Canada. Today, old people are more active, travel more, and have more money to spend.

We Have More Leisure Time and More Travel Time

More than half of our families take at least 10 day annual trips. Last year, a million of us went abroad, not including servicemen. Approximately 40 million of us get paid vacations. Some 11 million of us have home workshops. Compared with 1940, we spend 140% more for sports equipment and toys; 129% more for flowers and seeds; 263% more for radios, musical instruments, phonographs and TV sets.

There are many more statistics about our country just as thrilling. I won't continue with them because you have very likely already heard them, so widely have they been distributed.

Here, then, was our confidence-building campaign. Here was the raw material out of which sane and sensible optimism could be made. The advertising industry was now ready for its newest and boldest experiment!

The first step was, obviously, to reach the policymakers of industry — those corporate officers whose decisions determine whether plants are closed or expanded. Their "yes" means jobs, and their "no" is echoed and re-echoed by lesser businessmen all over the nation. Fortunately, a golden opportunity to reach these leaders was coming up.

The Advertising Council's Program

This opportunity was The Advertising Council's White House meeting on Jan. 12 in Washington, D. C. To this meeting each year come nearly 200 corporate heads, representing the blue book of American industry. The luncheon session of this meeting provided the perfect opportunity for a presentation of the proposed Future of America program. So a presentation of the program was made by the Joint Committee's Chairman, Bill McKeehan, and for 40 minutes you could have heard a pin drop. At the end of the talk, when the Council asked the business leaders whether it should proceed to mass distribute the facts they had just heard, every hand in the house was raised.

The mass distribution process started the very next day, when the newspapers carried the story of the new program from coast to coast. Editorials, mostly favorable to the idea, appeared by the score. Many papers carried the optimistic facts and statistics about America in full. Other papers made special Sunday features of them. And millions upon millions of people must have read them.

Requests for the talk containing the facts continued heavy for weeks.

Many of the executives who attended the Washington meeting soon began using the statistics in speeches of their own. Others passed them on to other speechmakers in their companies.

The story of America's promising future was quickly picked up by many magazines, too. Not only some of the large circulation magazines but grass roots publications like the "Elks Magazine," "Christian Herald," "American Legion," etc.

Soon a sound slide film telling the story was also ready for circulation by the Joint Committee. Many of you have probably seen it, and I think you will agree that it is difficult to see this film and stay a pessimist. To date 500 copies of this film have been circulating up and down these United States. Hundreds of sales meetings have been roused in enthusiasm by it. I wish it were possible to measure the confidence it has helped produce. I know of one case where it helped a Board of Directors decide to go ahead with a multimillion dollar new plant—and there must be dozens of other cases like it.

As time went on, more and more business leaders made announcements of courageous plans; of additions to plants; of new plants; of new machinery and complete retooling. And, reading this good news, the man on the street began to think that things were going to be all right.

Finally, The Advertising Council material, created with skill by McCann-Erickson, began penetrating the public consciousness on every hand.

In the space of 10 weeks time, newspapers ordered from the Council over nine million lines of Future of America advertising. You will find one of these advertisements today in the "Los Angeles Examiner."

Over 90,000 car cards have been posted in the streetcars and buses of America.

On radio and television, the combined circulation since April 1 through network programs alone reached 122 million radio and television home impressions. If you listen to such radio and television shows as Jack Benny, Lux Radio Theater, Godfrey's Talent Scouts, Colgate Comedy Hour, Philco Theater or many others, you probably heard them.

A booklet called "The Future of America" is being offered free, and is the keystone of the campaign arch. Requests for this booklet are pouring in from every state in the Union, and from foreign countries as well. Big companies are buying it for distribution to their employees; General Motors alone ordered 300,000.

House magazines, or Company magazines, are also telling the story directly to the people who either sign or don't sign the dotted line for the installment purchase. Many company magazines, like the "Hercules Mixer," have reprinted the booklet in full, and others carry the advertisements or the confidence-building facts.

Well, that's the story. The decline has stopped and we are now on a plateau. While admitting that nobody knows for sure what the Fall may bring, nevertheless, today a pessimist is a rarity. The same man who six months ago was saying "I don't like the look of things" to his luncheon companion, is now going serenely about his business.

A Summary

In conclusion, let us step back and look for a moment at the broad picture.

Based on the record to date, in contrast to earlier and unhappier slumps, the recession of 1954 was well night stillborn. It did not live up to its advance billing. It huffed and puffed, but it never really sat down for a long stay on our doorstep.

This time, it was less than six months from worry to confidence.

Why?

Partly, of course, because of sound moves made in Washington such as the prompt easing of credit.

Partly because, as the polls show, a majority of the people have faith in our government.

Partly because, at the very outset of the decline, some companies announced bold plans to expand instead of retract.

But I leave it to you as to whether there was not also another reason for the prompt disappearance of anxiety and the quick ballooning of confidence.

Did not the intelligent use of the advertising method, through the quick projection of basic facts about our growing economy, help to calm the waves of fear?

In short, I leave it to you as to whether something new has not been added to the battle plan of fighting depressions.

Bankers Offer So. Calif. Edison Bonds

The First Boston Corp. and Dean Witter & Co., jointly head a group offering public today (Aug. 19) $30,000,000 first and refunding mortgage bonds, series F, due 1979, of Southern California Edison Co. The bonds are priced at 100.526 to yield approximately 2.97% to maturity and were awarded on Aug. 18 on a bid of 100.0199 for a 3% coupon. Net interest cost to the company was 2.9987%.

Other bids, also for a 3% interest rate, were 99.93% by a syndicate headed by Blyth & Co. Inc.; 99.7099% by Halsey, Stuart & Co. Inc. and 99.6991% by Kuhn, Loeb & Co.

Proceeds will be used for construction, expected to cost approximately $128,282,000 for 1954 and 1955. Of this amount, expenditures of $39,628,000 will be made for steam electric generating plants, and $62,551,000 for electric distribution lines and substations.

The company provides electric service in portions of central and southern California with a population of approximately 3,400,000. Areas served include 82 incorporated cities or portions thereof and more than 150 unincorporated communities and outlying rural territories.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. **Price**—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par ($1 per share); and to all other policyholders in the insurance companies, $1.25 per share. **Proceeds**—To expand in the small loan field. **Underwriter**—None.

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.

★ American States Oil Co.
Aug. 10 (letter of notification) approximately 1,000,000 shares of common stock (par 10 cents). **Price**—At market (currently quoted at 3c bid—5c asked). **Office**—Pauls Valley, Okla. **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 up to noon (EDT) on Aug. 24 at Two Rector Street, New York, N. Y.

• Atomic Instrument Co., Cambridge, Mass.
July 29 (letter of notification) 31,657 shares of common stock (par $1) being first offered to stockholders at the rate of one new share for each four shares held as of Aug. 11; rights to expire on Aug. 25. **Price**—$6 per share. **Proceeds** — For working capital. **Office** — 84 Massachusetts Avenue, Cambridge, Mass. **Underwriters**—Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; Fahnestock & Co. and Amott, Baker & Co., Inc., both of New York; and Nauman, McFawn & Co., Detroit, Mich.

Automatic Remote Systems, Inc., Baltimore, Md. (8/24)
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Banner Mining Co., Lordsburg, N. M.
June 30 (letter of notification) 25,000 shares of common stock (par $1) to be offered first to stockholders. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected in about two weeks.

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 Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

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.

★ Black Bear Consolidated Mining Co.
Aug. 6 (letter of notification) 635,434 shares of common stock, of which 400,000 shares are to be publicly offered and 235,434 shares are to be issued in cancellation of indebtedness. **Price**—Three cents per share. **Proceeds**—To drive a tunnel and acquire properties. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

★ Black Hawk Uranium & Metals Co., Salt Lake City, Utah
Aug. 9 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—136 S. State Street, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

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.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment **Proceeds** — For construction costs, etc. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred. (See also proposed issue of 107,000 shares of common stock in these columns.)

California Electric Power Co.
July 21 (letter of notification) 8,000 shares of common stock (par $1). **Price** — At market (on the American Stock Exchange). **Proceeds** — To Mono Power Co. (an affiliate) to retire indebtedness. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

California Electric Power Co. (8/31)
Aug. 9 (filed 170,000 shares of common stock (par $1). **Proceeds**—To retire 37,600 shares of $2.50 sinking fund preferred stock (par $50) shortly after Oct. 1, 1954, at $51.50 per share and accrued dividends. **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly). **Bids**—Tentatively expected to be received on Aug. 31.

★ Cessna Aircraft Co. (Kansas)
Aug. 9 (letter of notification) 1,700 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—To Getty McDonald, a director. **Underwriter**—Harris, Upham & Co., New York.

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 being 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 two common shares 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. Statement effective July 28.

NEW ISSUE CALENDAR

August 24 (Tuesday)
Arkansas Power & Light Co. .... Bonds
(Bids noon EDT) $7,500,000
Automatic Remote Systems, Inc. .... Common
(Mitchell Securities, Inc.) $2,025,000
Electronics Corp. of America .... Common
(Paine, Webber, Jackson & Curtis) $2,400,000
Niagara Mohawk Power Corp. .... Bonds
(Bids 11 a.m. EDT) $25,000,000
Northern States Power Co. .... Preferred
(Bids 10:30 a.m. CDT) $20,000,000

August 25 (Wednesday)
Delaware, Lackawanna & Western RR .... Equip. Trust Ctfs.
(Bids noon EDT) $5,700,000
Food Fair Stores, Inc. .... Debentures
(Eastman, Dillon & Co.) $20,000,000
Rocky Mountain Uranium Corp. .... Common
(Peter Morgan & Co.) $299,000
Suburban Propane Gas Corp. .... Common
(Eastman, Dillon & Co.) 100,000 shares

August 30 (Monday)
General Bronze Corp. .... Common
Offering to stockholders—underwritten by Lehman Brothers) 32,933 shares

August 31 (Tuesday)
California Electric Power Co. .... Common
(Bids to be invited) 170,000 shares
Grand Union Co. .... Debentures
(Offering to stockholders—underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.) about $5,000,000
Southern Bell Telephone & Telegraph Co. .... Debs.
(Bids 11 a.m. EDT) $55,000,000

September 1 (Wednesday)
Pacific Telephone & Telegraph Co. .... Common
(Offering to stockholders—no underwriting)
Peoples Securities Corp. .... Common
(Offering by company—no underwriting) $817,080

September 8 (Wednesday)
Montana-Dakota Utilities Co. .... Bonds
(Bids to be invited) $12,000,000
Supermarket Merchandisers of America Inc. .... Com.
(Milton D. Blauner & Co., Inc.) $299,550
Western Maryland Ry. .... Bonds
(Bids to be invited) $16,000,000

September 9 (Thursday)
Thompson-Starrett Co., Inc. .... Preferred
(Blair & Co., Inc. and Emanuel Deetjen & Co.) $1,450,000

September 10 (Friday)
Loma Uranium Corp. .... Common
(Peter Morgan & Co.) $1,250,000

September 14 (Tuesday)
Oklahoma Gas & Electric Co. .... Preferred
(Bids may be invited) $7,500,000

September 15 (Wednesday)
Georgia Power Co. .... Preferred
(Exchange offer to preferred stockholders—underwritten by The First Boston Corp.; Merrill Lynch, Pierce Fenner & Beane; Union Securities Corp.; and Equitable Securities Corp.) $43,386,900

September 20 (Monday)
Columbus & Southern Ohio Electric Co. .... Common
(Dillon, Read & Co. Inc. and The Ohio Company) 200,000 shares
Northern Pacific Ry. .... Bonds
(Bids to be invited) $52,000,000

September 21 (Tuesday)
American Telephone & Telegraph Co. .... Bonds
(Bids to be invited) $250,000,000

September 22 (Wednesday)
Tampa Electric Co. .... Preferred
(Bids 11 a.m. EDT) $5,000,000

September 28 (Tuesday)
New England Electric System .... Common
(Offering to stockholders—bids to be invited)

September 29 (Wednesday)
Columbus & Southern Ohio Electric Co. .... Bonds
(Bids 11:30 a.m. EDT) $10,000,000

September 30 (Thursday)
Louisville & Nashville RR. .... Bonds
(Bids to be invited) $30,350,000
National City Bank of New York .... Common
(Offering to stockholders—underwritten by The First Boston Corp.) $131,250,000

October 4 (Monday)
Public Service Co. of Colorado .... Bonds
(Bids to be invited) $20,000,000

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
Wisconsin Power & Light Co. .... Bonds
(Bids to be invited) $18,000,000

October 6 (Wednesday)
Sierra Pacific Power Co. .... Common
(Stone & Webster Securities Corp. and Dean Witter & Co.) 34,807 shares

October 26 (Tuesday)
Savannah Electric & Power Co. .... Bonds, Debs. & Preferred
(Bids to be invited) $11,000,000

Chute Canyon Uranium Co.
y 26 (letter of notification) 1,500,000 shares of common ck. **Price**—At par (10 cents per share). **Proceeds**— r drilling and exploration. **Office**—334 Judge Bldg., t Lake City, Utah. **Underwriter**—James E. Reed Co., t Lake City, Utah.

Coffee Vending Service Inc. (N. Y.)
g. 9 (letter of notification) $250,000 of 6% sinking d debentures due Sept. 1, 1964. **Price**—At par. **Proceeds**—To repay debt and for expansion and working ital. **Office** — 59-05 56th St., Maspeth, L. I., N. Y. **derwriter**—None.

Consol. Edison Co. of New York, Inc.
ril 7 filed $50,000,000 of first and refunding mortge bonds, series K, due May 1, 1984. **Proceeds**—To be plied towards cost of redeeming $27,982,000 New York am Corp. first mortgage bonds and $25,000,000 Westester Lighting Co. general mortgage bonds. **Underiter**—To be determined by competitive bidding. Proble bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley Co.; The First Boston Corp. **Offering**—Originally set May 11, but has been postponed because of market nditions. No new date set.

Danaho Refining Co., Houston, Texas
ne 14 filed $625,000 of 6% debentures and 375,000 ares of common stock (par 10 cents) to be offered in its of $50 of debentures and 30 shares of stock. **Price** $100 per unit. **Proceeds**—For additions and improvents. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
ne 14 filed 110,000 shares of common stock (par 10 ts). **Price**—$2 per share. **Proceeds**—For additions and provements. **Underwriter**—None.

Davies Laboratories, Inc., Riverdale, Md.
g. 6 (letter of notification) 38,000 shares of common ck (par $1) and $75,900 of 6% five-year deferred dentures. Price—At par. **Proceeds**—For working capi... **Office**—4705 Queensbury Road, Riverdale, Md. **Unrwriter**—None.

Dow Chemical Co.
g. 5 filed 200,000 shares of common stock (par $5) to offered for subscription by employees. **Price**—To be pplied by amendment. **Proceeds**—For general corpoe purposes. **Underwriter**—None.

Electronics Corp. of America (8/24)
g. 4 filed 200,000 shares of common stock. **Price**—To supplied by amendment (probably around $12 per are). **Proceeds**—To reduce bank loans and for workg capital and other general corporate purposes. **Office** Cambridge, Mass. **Underwriter** — Paine, Webber, ckson & Curtis, of Boston and New York.

★ **Elgin National Watch Co., Elgin, Ill.**
g. 5 (letter of notification) 12,470 shares of common ock (par $5) to be offered to officers, salesmen and pervisory employees under an Employee's Stock Purase Plan. **Price**—$12.07 per share. **Proceeds**—To reburse company for cost of acquisition of such shares open market. **Office**—107 National Street, Elgin, Ill. **nderwriter**—None.

Eureka Uranium Corp., Cheyenne, Wyo.
ly 12 (letter of notification) 30,000,000 shares of comn stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office**—2215 Duff Ave., eyenne, Wyo. **Underwriter**—Underwriters, Inc., arks, Nev.

Financial Credit Corp., New York
n. 29 filed 250,000 shares of 7% cumulative sinking nd preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Founn & Co., Inc., New York.

★ **Fireman's Fund Insurance Co. San Francisco, Calif.**
g. 10 filed $2,500,000 of interests in the Fireman's nd Savings and Supplemental Retirement Plan, to offered to employees; also 36,765 shares of common ock which may be purchased by the Fund.

First Railroad & Banking Co. of Georgia
ly 30 filed 42,000 units, each consisting of one share common stock, one warrant to subscribe at $4.10 per are to 13 shares of common stock, and one $250 5% llateral trust bond due Aug. 1, 1988, to be offered for ch of the 42,000 shares of outstanding common stock rsuant to plan of readjustment; also 756,000 shares common stock, which includes 546,000 shares subject subscription upon exercise of warrants and 210,000 ares to be offered to public at $4.50 per share through hnson, Lane, Space & Co., Savannah, Ga., who will so purchase such of the 546,000 shares of common stock t sold upon exercise of warrants.

Food Fair Stores, Inc., Philadelphia, Pa. (8/25)
g. 3 filed $20,000,000 of 20-year sinking fund debenres due Sept. 1, 1974. **Price** — To be supplied by nendment. **Proceeds**—To redeem $12,500,000 4% dentures due Feb. 1, 1973, to repay $4,200,000 bank ans and for general corporate purposes. **Underwriter**— stman, Dillon & Co., New York.

Four Corners Uranium Corp., Denver, Colo.
ly 26 filed 500,000 shares of common stock (par $1). ice—$2 per share. **Proceeds**—To repay bank loans, te and on contracts for purchase of certain claims and operties; and for other general corporate purposes. **nderwriter**—Campbell, McCarty & Co., Detroit, Mich.

General Bronze Corp. (8/30)
g. 5 filed 32,933 shares of common stock (par $5) be offered for subscription by common stockholders record Aug. 27 on the basis of one new share for each shares held; rights to expire on Sept. 13. **Price**—To supplied by amendment. **Proceeds** — For expansion ogram. **Underwriter**—Lehman Brothers, New York.

★ **General Electronics Distributors, Inc.**
Aug. 9 (letter of notification) 1,750 shares of non-voting common stock (par $25). **Price**—$37 per share (employees will receive a 10% discount on their purchases). **Proceeds**—For expansion and working capital. **Office**—735 Main Street, Wheeling, W. Va. **Underwriter**—None.

● **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**—Expected in September.

Grand Union Co. (8/31)
Aug. 11 filed approximately $5,000,000 of 15-year convertible subordinated debentures due 1969, to be offered for subscription by common stockholders on the basis of $100 of debentures for each 12 to 15 shares held on or about Aug. 31, 1954; rights to expire on Sept. 15. **Price**—To be supplied by amendment. **Proceeds**—For equipping new stores and remodeling and modernization of existing stores and other general corporate purposes. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

Gray Manufacturing Co., Hartford, Conn.
June 10 filed 58,119 shares of common stock (par $5) being 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 3⅞% 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.

★ **Hart (E. K.) Confections, Inc. (N. Y.)**
Aug. 13 (letter of notification) 16,650 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—To expand manufacturing and sales activities. **Office** — 540 39th St., Union City, N. J. **Underwriter**—None.

★ **Hose-Austin Drilling Corp., Springfield, Ill.**
Aug. 10 (letter of notification) $150,000 of 6% debentures and warrants to purchase 3,000 shares of class A common stock (par $1) at $5 per share. **Proceeds**—For drilling equipment and working capital. **Address**—Barber & Barber, First National Bank Building, Springfield, Ill. **Underwriter**—None.

★ **Justheim Petroleum Co., Salt Lake City, Utah**
Aug. 7 (letter of notification) 200,000 shares of capital stock (par five cents). **Price**—At market (estimated at 15 cents per share). **Proceeds**—To Clarence I. Justheim, President. **Office**—212 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

★ **Kern Front Oil & Gas Corp.**
Aug. 10 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—825 S. Serrano Avenue, Los Angeles, Calif. **Underwriter**—Farrell Securities Co., New York.

Keystone Fund of Canada, Ltd., Montreal, Canada
Aug. 2 filed 1,250,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

★ **Knickerbocker Fund, New York**
Aug. 13 filed 250,000 shares of beneficial interest. **Price**—At market. **Proceeds**—For investment.

★ **Ladoric Mines Ltd., Montreal, Canada**
July 30 (regulation "D") 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For exploration, etc. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

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. (9/10)
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. **Underwriter**—Peter Morgan & Co., New York.

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. The registration statement may be amended to change the designation of the 121,000 shares of class A stock to class B stock. **Price**—Of common, may be $2.50 per share when offered.

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.

Mid-Atlantic Corp.
July 26 (letter of notification) 120,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For investments in other businesses. **Office**—2 Main St., Bradford, Pa. **Underwriter**—William T. Bowler & Co., Bradford, Pa.

★ **Mohawk Silica Co., Cincinnati, Ohio**
Aug. 12 (letter of notification) 1,232 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For expenses incident to mining, refining and selling silica sand. **Office** — 2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

★ **Montana-Dakota Utilities Co. (9/8)**
Aug. 11 filed $5,000,000 of first mortgage bonds due Sept. 1, 1979, and $7,000,000 of first mortgage serial bonds due March 1, 1956-1975, inclusive. **Proceeds**—To redeem $2,550,000 4.50% serial bonds; and toward prepayment of $10,000,000 of notes payable to banks. **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. **Bids**—Expected to be received on Sept. 8.

★ **Monterey Uranium Corp., Salt Lake City, Utah**
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

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.

★ **Nancy Hanks Mines, Inc., Spokane, Wash.**
Aug. 9 (letter of notification) 100,000 shares of preferred stock. **Price**—At par $1 per share). **Proceeds**—For development and exploratory expenses. **Office** — 618 Spofford Avenue, Spokane 17, Wash. **Underwriter** — None.

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.

★ **Neo-Line Products Corp.**
Aug. 11 (letter of notification) 132,700 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Business**—Manufactures dies and molds and is a custom molder of plastics. **Office**—75-10 Rockaway Blvd., Woodhaven, L. I., N. Y. **Underwriter**—None.

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.

Niagara Mohawk Power Corp. (8/24)
Aug. 3 filed $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.

Continued on page 36

Continued from page 35

and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—To be received up to 11 a.m. (EDT) on Aug. 24, at Room 1840, 15 Broad St., New York, N. Y.

North-West Telephone Co.
July 30 (letter of notification) 3,000 shares of common stock being offered for subscription by stockholders. **Price**—At par ($50 per share). **Proceeds**—For capital improvements. **Office**—119 Monona Ave., Madison, Wis. **Underwriters**—Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Northern States Power Co. (Minn.) (8/24)
July 29 filed 200,000 shares of cumulative preferred stock (par $100). **Proceeds**—To refund a like amount of $4.80 cumulative preferred stock, presently outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly). **Bids** — Expected to be received up to 10:30 a.m. (CDT) on Aug. 24 at 231 So. La Salle Street, Chicago 4, Ill.

★ Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300,000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Oakite Products, Inc.
Aug. 6 (letter of notification) not exceeding 12,000 shares of capital stock (par $5) to be offered for subscription by employees. **Price**—$11.88 per share in cash, or $10.63 per share in installments. **Proceeds**—For working capital. **Office**—19 Rector St., New York 6, N. Y. **Underwriter**—None.

Ocean Products, Inc., Tampa, Fla.
Aug. 5 (letter of notification) 50,000 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

★ Oklahoma Gas & Electric Co. (9/14)
Aug. 16 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be received on Sept. 14.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

★ Pacific Power & Light Co.
Aug. 6 (letter of notification) an undetermined number of shares of common stock (par $6.50) to be offered to employees pursuant to Stock Purchase Plan. **Price**—95% of average weekly bid prices in month prior to subscription. **Proceeds** — For additions and improvements. **Office**—920 S. W. Sixth Avenue, Portland 4, Ore. **Underwriter**—None.

Pacific Telephone & Telegraph Co. (9/1)
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders of record Aug. 31 in ratio of one share for each seven shares of common and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None.

★ Pacific Western Insurance Co., Salt Lake City, Utah
Aug. 9 (letter of notification) 17,500 shares of common stock (par $10) to be offered initially to members (policyholders). **Price**—$15 per share. **Proceeds**—For investments. **Office**—1405 So. Main Street, Salt Lake City, Utah. **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. Statement effective Aug. 11.

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**—Fairman, Harris & Co., Inc., Chicago, Ill.

★ Peoples Securities Corp., New York (9/1)
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

Petaca Mining Corp., Santa Fe, N. Mex.
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● Pittsburgh Metallurgical Co., Inc.
July 23 filed $2,023,500 of 4% convertible subordinated debentures due Aug. 1, 1974, being offered for subscription by common stockholders at the rate of $100 of debentures for each 25 shares of common stock held on Aug. 12; rights to expire on Aug. 25. **Price**—$100 per $100 principal amount. **Proceeds**—For working capital. **Office**—Niagara Falls, N. Y. **Underwriter**—Kuhn, Loeb & Co., New York.

★ Quinby & Co., Rochester, N. Y.
Aug. 16 filed $1,250,000 of shares in the Quinby Plan for the Accumulation of common stock of Standard Oil Co. (New Jersey).

Radium Hill Uranium, Inc., Montrose, Colo.
Aug. 3 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—Bryant Bldg., Montrose, Colo. **Underwriters**—Peters, Writer & Christensen, Inc. and Garrett, Bromfield & Co., both of Denver, Colo.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

Resort Airlines, Inc., Miami, Fla.
Aug. 5 (letter of notification) 1,361,972 shares of common stock (par 10 cents) to be first offered to stockholders; then to public. **Price**—20 cents per share. **Proceeds**—For maintenance of equipment, to reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

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.

★ Rocky Mountain Uranium Corp. (8/25)
Aug. 9 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1.15 per share. **Proceeds**—For mining operations. **Office**—Mercantile Commerce Building, Dallas, Texas. **Underwriter** — Peter Morgan & Co., New York.

★ Ross (J. O.) Engineering Corp.
Aug. 12 (letter of notification) 3,500 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—To Ryan Sadwith, Vice-President. **Underwriter** — Granbery, Marache & Co., New York.

Santa Fe Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development of properties. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

★ Shasta Copper & Uranium Co., Inc.
Aug. 6 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—612 Dooly Building, Salt Lake City, Utah. **Underwriter** — To be named by amendment.

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 Bell Telephone & Telegraph Co. (8/31)
July 30 filed $55,000,000 30-year debentures due Sept. 1, 1989. **Proceeds** — To repay advances from American Telephone & Telegraph Co., parent, and for general corporate purposes. **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 up to 11 a.m. (EDT) on Aug. 31, at Room 2315, 195 Broadway, New York, N. Y.

Southwestern Uranium Trading Corp.
Aug. 2 (letter of notification) 1,500,000 shares of common stock (par 17 cents). **Price**—20 cents per share. **Proceeds**—For mining activities. **Office**—Silver State Bldg., Denver, Colo. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

★ Standard Coil Products Co., Inc.
Aug. 17 filed 189,655 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co., Inc. and Dempsey & Co., both of Chicago, Ill.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

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.

Suburban Propane Gas Corp. (8/25)
Aug. 6 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loan and for working capital. **Underwriter**—Eastman, Dillon & Co., New York.

● Supermarket Merchandisers of America, Inc. (9/8-9)
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.

★ Sylvan Life Insurance Co. (Utah)
Aug. 9 (letter of notification) 20-year debenture notes (in denominations of $20 each) and common stock (par $10) in units of one $20 note and one share of stock. **Price**—$30 per unit. **Proceeds**—For working capital, etc. **Office**—Utah Savings and Trust Building, Salt Lake City, Utah. **Underwriter**—None.

★ Tampa Electric Co. (9/22)
Aug. 16 filed 50,000 shares of cumulative preferred stock, series B (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; White, Weld & Co. and R. W. Pressprich & Co. (jointly); Goldman, Sachs & Co. **Bids**—Scheduled to be received up to 11 a.m. (EDT) on Sept. 22 at 49 Federal Street, Boston, Mass.

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.

★ Thatcher Glass Mfg. Co., Inc.
Aug. 10 (letter of notification) 2,500 shares of common stock (par $5). **Price** — At market. **Proceeds** — To Franklin B. Pollock, Chairman of the Board. **Underwriter**—Coleman, Fagan & Co., New York.

★ Thiokol Chemical Corp., Trenton, N. J.
Aug. 16 filed 35,570 shares of common stock to be offered to officers and employees under the corporation's Officers' and Employees' Stock Option Plan.

Thompson-Starrett Co. Inc., New York (9/9)
July 29 filed 145,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To repay $1,000,000 bank loans and for general corporate purposes. **Underwriters**—Blair & Co., Inc. and Emanuel, Deetjen & Co., both of New York.

★ Thunder Mountain Mining Co., Orleans, Calif.
Aug. 13 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For pilot plant and equipment. **Office**—Orleans, Humboldt County, Calif. **Underwriter**—None.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

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.

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.

★ Uncompahgre Uranium, Inc. (Idaho)
Aug. 6 (letter of notification) 3,032,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—Salisbury Building, Idaho Falls, Idaho. **Underwriter** — William Lewis Clark, 917½ Main Street, Boise, Idaho.

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.

★ Van Dusen Aircraft Supplies, Inc., Minneapolis, Minn.
Aug. 9 (letter of notification) 58,100 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **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 no definite plans are given).

Warren Oil & Uranium Mining Co., Inc., Denver, Colo.
Aug. 6 filed 65,000,000 shares of common stock (par one cent). **Price**—7½ cents per share. **Proceeds**—To purchase mining claims and exploratory equipment, and for exploration costs. **Underwriter**—Weber Investment Co., Salt Lake City, Utah.

★ Webb (H. S.) & Co., Glendale, Calif.
Aug. 9 (letter of notification) 6,000 shares of 7% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To retire funded debt, increase working capital and remodel store. O[illegible] North Brand Boulevard, Glendale, Calif. [illegible]r — Wagenseller & Durst, Inc., Los Angeles, [illegible]

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.

Winter Park Telephone Co.
July 29 (letter of notification) 3,000 shares of 5% cumulative preferred stock. **Price** — At par ($100 per share). **Proceeds** — For additional facilities. **Office** — 132 E. New England Avenue, Winter Park, Fla. **Underwriter**—None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Yankee Uranium Co., Salt Lake City, Utah
July 14 (letter of notification) 12,400,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For mining expenses. **Office** — 721 Judge Bldg., Salt Lake City, Utah. **Underwriter** — James D. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. **Offering** will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

• American Telephone & Telegraph Co. (9/21)
Aug. 18 directors authorized a new $250,000,000 bond issue to be dated Sept. 15, 1954 and mature Sept. 15, 1984. **Proceeds**—For additions and improvements to Bell System telephone service for the nation. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co. **Registration**—Planned for Sept. 1. **Bids**—Expected to be opened September 21.

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).

California Water Service Co.
Aug. 10 company sought authority from the California P. U. Commission to issue and sell 60,000 shares of preferred stock, series I (par $25). **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif. **Offering**—Expected late in September.

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).

Colorado-Western Pipeline Co.
Aug. 3 the Colorado P. U. Commission authorized company 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.

Columbus & Southern Ohio Electric Co. (9/20)
Aug. 9 it was announced company plans to issue and sell 200,000 additional shares of common stock. **Price**—To be named later. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co. Inc., New York, and The Ohio Company, Columbus, Ohio. **Registration**—Expected about Aug. 31.

Columbus & Southern Ohio Electric Co. (9/29)
Aug. 9 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Company (jointly); Salomon Bros. & Hutzler; Union Securities Corp. and Glore, Forgan & Co. (jointly); White, Weld & Co.; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 29 at City Bank Farmers Trust Co., 22 William Street, New York 15, N. Y. **Registration**—Planned to be filed on or about Aug. 31.

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.

Dayton Power & Light Co.
Aug. 7, Kenneth C. Long, President, announced that the company plans to issue and sell $15,000,000 of first mortgage bonds due 1984 in late September. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Morgan Stanley & Co., and W. E. Hutton & Co. (jointly); Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly).

Delaware, Lackawanna & Western RR. (8/25)
Bids will be received by the company at Room 2008, 140 Cedar Street, New York 6, N. Y., up to noon (EDT) on Aug. 25 for the purchase from it of $5,700,000 equipment trust certificates, series M, to be dated Aug. 15, 1954 and to mature in 30 semi-annual instalments up to and including Aug. 15, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co., Inc.

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.

• Georgia Power Co. (9/15)
Aug. 3 company applied to Georgia P. S. Commission for authority to refinance its outstanding 433,869 shares of $6 preferred stock by issuance of an equal number of preferred shares bearing a lower dividend (between $4.50 and $4.70). Holders will be given a choice of accepting one new preferred share and $5 in cash for each $6 preferred share held or the call price of $110 per share. The exchange period will be Sept. 15 to Oct. 4, according to present plans and the exchange offer will be mailed on Sept. 15. Unexchanged stock will be redeemed on Nov. 16. **Price** — Of new stock expected to be $105 per share. **Underwriters**—The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and Equitable Securities Corp. **Registration**—Expected on Aug. 26.

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.

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

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.

★ Laclede Gas Co.
Aug. 6 it was reported company plans to issue and sell $20,000,000 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.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair, Rollins & Co. Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Lindsay Chemical Co.
Aug. 2 it was reported that this company is said to be considering the sale of additional common stock first to stockholders. **Proceeds**—About $1,250,000, for working capital, etc. **Underwriters**—Lehman Brothers of New York, and Farwell, Chapman & Co., of Chicago.

Long Island Lighting Co.
April 20 it was announced company plans later in 1955 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

Louisville & Nashville RR. (9/30)
July 7 it was reported that the company may issue and sell late in 1954 $30,350,000 of new first and refunding mortgage bonds due 2003. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected Sept. 30.

National City Bank of New York (9/30)
Aug. 10 directors authorized a meeting of stockholders to be held on Sept. 20 to vote on a proposal to increase the capital and surplus of the company by $131,250,000 through the sale of 2,500,000 additional shares of capital stock (par $20) to stockholders early this fall for subscription on the basis of one new share for each three shares held as of Sept. 24; with rights to expire on Oct. 22. Subscription warrants will be mailed on or about Sept. 30. **Underwriter** — The First Boston Corp. will head group.

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.

Northern Pacific Ry. (9/20-24)
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 late 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; Kidder, Peabody & Co. and White, Weld & Co. (jointly);

Continued on page 38

Continued from page 37

Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

Pacific National Bank, San Francisco, Calif.
Aug. 6 it was announced stockholders were to vote Aug. 16 on approving a proposal to increase the authorized common stock (par $20) by 47,685 shares. The common stockholders are to be given the right to subscribe on or before Sept. 9 for one new share for each two shares held. **Price**—$28.50 per share. **Proceeds**—$340,000 to retire outstanding preferred stock and the remainder to be added to capital and surplus.

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 (10/4-8)
Aug. 1 it was announced company plans to issue $20,000,000 first mortgage bonds, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Dean Witter & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly). **Registration**—Expected in September. **Bids**—Expected first week in October.

San Diego Gas & Electric Co.
Aug. 3 it was announced company plans to offer early in October (first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

★ Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

★ Savannah Electric & Power Co. (10/26)
Aug. 10 it was announced company plans to sell $5,000,000 of first mortgage bonds, $3,000,000 of debentures and 30,000 shares of $100 preferred stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); The First Boston Corp.; Stone & Webster Securities Corp. **Registration**—Planned for Sept. 22. **Bids**—Expected Oct. 26.

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.

★ Sierra Pacific Power Co. (10/6)
Aug. 16 it was reported company plans to offer to common stockholders of record about Oct. 6 a total of 34,807 shares of common stock; rights to expire Oct. 22. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Dean Witter & Co.

★ Sierra Pacific Power Co.
Aug. 16 it was reported company plans to issue and sell $4,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Kidder, Peabody & Co. **Registration**—Planned for Oct. 8.

Southern Pacific RR. Co.
July 28 it was announced company has applied to the ICC for authority to issue and sell $21,091,000 first mortgage bonds due Jan. 1, 1996. **Proceeds**—To reimburse treasury for capital expenditures previously made. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Drexel & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

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.

Western Maryland Ry. (9/8)
July 13 it was announced company plans to issue a[nd] sell $16,000,000 of first mortgage bonds due 1979. **Pr[o]ceeds** — To redeem $12,632,000 of first mortgage bon[ds] series B, due 1976, and the remainder used to reimbur[se] company for expenditures for capital improvemen[ts]. **Underwriter**—To be determined by competitive biddi[ng]. Probable bidders: Halsey, Stuart & Co. Inc.; Morg[an] Stanley & Co. **Meeting**—Stockholders will vote Sept. on approving issuance of new bonds. **Bids**—Expec[ted] Sept. 8.

Western Pacific RR. Co.
June 30 stockholders approved a proposal to allow co[m]pany to sell first and refunding bonds without obtain[ing] approval of preferred stockholders. It is planned to [is]sue and sell $6,500,000 of these bonds. **Proceeds**—To [re]imburse company for capital expenditures already ma[de] and for future improvements. **Underwriters**—May be de[termined] by competitive bidding. Probable bidders: H[al]sey, Stuart & Co. Inc.; Union Securities Corp. and Glo[re] Forgan & Co. (jointly); Blyth & Co., Inc.; Lehm[an] Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.
June 28 it was announced company plans perman[ent] financing. **Proceeds**—To retire bank loans. **Underwr[it]er**—Previous bond financing in 1922 was handled [by] Dillon, Read & Co. Inc.

Wisconsin Power & Light Co. (10/5)
July 26 it was announced management is planning iss[u]ance and sale of $18,000,000 first mortgage bonds d[ue] 1984. **Proceeds**—To redeem $8,000,000 4% first mortga[ge] bonds sold last year and $10,000,000 for new constru[ction]. **Underwriter**—To be determined by competiti[ve] bidding. Probable bidders: Halsey, Stuart & Co. In[c.]; Equitable Securities Corp.; Salomon Bros. & Hutzle[r]; Lehman Brothers, Bear, Stearns & Co., Reynolds & C[o.] and L. F. Rothschild & Co. (jointly); Union Securiti[es] Corp.; The First Boston Corp.; White, Weld & Co. a[nd] Kidder, Peabody & Co. (jointly); Smith, Barney & C[o.] and Robert W. Baird & Co. (jointly); Blyth & Co., In[c.] **Bids**—Expected about Oct. 5 with registration on about Sept. 9.

Wisconsin Public Service Co.
July 28 it was reported company is considering the is[s]uance of about $12,500,000 new securities. **Proceeds**—To refund $8,000,000 outstanding first mortgage 4⅛% bonds due 1983 and for new construction. **Underwrite[r]**—For bonds, to be determined by competitive biddin[g]. Probable bidders: Halsey, Stuart & Co. Inc.; Merri[ll] Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hut[z]ler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dea[n] Witter & Co.; The First Boston Corp. Previous comm[on] stock offer was underwritten by The First Bosto[n] Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robe[rt] W. Baird & Co., Inc.; and William Blair & Co.

Our Reporter's Report

The investment business is at the mid-summer cross-roads with operations pretty much at a standstill and consisting largely of efforts of syndicates to distribute left-over portions of recent new emissions.

Listed among recent flotations of which remnants are available are those of Consolidated Natural Gas, Boston Edison and this week's small New Jersey Power & Light offering. Another such issue dropped from the list when books closed on Missouri Power & Light Co.'s recent offering.

Since the immediate calendar is not especially heavy, underwriters are not concerned by the temporary tieup of their capital in such offerings. Yet it is evident that investors are scratching around for places to put their funds.

This is mirrored in the behavior of the secondary corporate market where emphasis has been on the buying side, though without any tendency on the part of prospective investors to reach for anything. Rather the buying has been more along the line of absorbing what one seeks when, and if, it comes into the market.

But feeling in some quarters is that the market has arrived at the point where, unless something happens, it could go lower before moving higher. These interests note that there still is a disposition on the part of institutions to "back away" from yields below a 3% basis.

The demand, they say, is for yield rather than for the ultimate in quality and that it makes little difference to the buyer whether an issue is rated Single A or Triple A.

Struggle Goes On

The struggle between investment bankers' ideas of yield and those of institutional investors seems destined to run out to the finish. This became evident when bankers paid Southern California Edison Co. a price of 100.0199 for its $30,000,000 of first and refunding bonds to carry a 3% coupon.

The runners-up bid a price of 99.7099 so that there was an indicated spread of only $3.10 per bond, indicating that bidders were thinking pretty much along the same lines.

The successful group repriced the issue for public offering at 100.526 for an indicated yield of 2.97%. Buyers have been showing renewed reluctance to go through a 3% basis and, accordingly, observers were watching this one closely for a clue to any change.

Next Week's Issues

With a great many portfolio men for institutions absent by reason of vacation, the currently slim new issue calendar is not too disturbing. In fact in a way it is helpful since it turns the interest of buyers toward material already available.

Next week only two issues of any size are on the roster, the first, on which bids will be opened Tuesday, taking the form of $25,000,000 bonds of the Niagara Mohawk Power Corp. The following day investors will have a chance to look over $20,000,000 of debentures due to be offered for Food Fair Stores.

The following week will bring to market only one large offering, $55,000,000 of Southern Bell Telephone & Telegraph Co. debentures.

Continued from page 2

The Security I Like Best

uniformity and is ever on the alert against contamination to produce the customer confidence which Kodak has built up over 70 years. An organization of this kind cannot be easily duplicated because multi-million dollar investments are required to manufacture with large scale machinery under exacting conditions. Expensive raw materials are required and high priced inventories must be carried. It also must be equipped to distribute in such a way that customers in all parts of the world can expect to get uniform and dependable results. Many opportunities to snap a picture occur only once in a life time so a film must never fail to perform as prescribed. I repeat for emphasis: that Eastman's infallible standards of quality require the wage dividend policy which assures the worker's interest in the company's success. A competitive wage dividend on the other hand could only be paid by a similar company which has already obtained a fair degree of success or the dividend would not be worthwhile. For this reason, Eastman's unequaled position in a growing industry seems to offer an investor both security and growth prospects. Investors should not conclude that recreation is the foundation of photography as today the greater part of the photographic materials made are used professionally or in industry.

I prefer to have my money invested in an organization which is hard to duplicate and in a company which cannot be driven to poverty by excessive competition. In the free world that seems to be dawning, commercial competition is going to have unbridled sway. This is fine and as it should be, because only under such conditions does the consumer receive the most for his money and only the efficient producer reaps a profit. Simple articles crudely made will earn a minimum profit. Those articles requiring the most technological skill and integrated management in their production and distribution will be the most certain of producing profits. The rugged, time-tested Eastman reputation for delivering a dependable product the world over should bear rich fruit in the coming epoch of great international trade. Eastman Kodak Company was literally conceived as an international company and at one time its capital was expressed in £ sterling.

One of its founder's great doctrines was "the development of foreign trade will distribute our eggs and pad the basket at the same time." So it is not surprising that today Eastman has large manufacturing plants in England, France, Germany, Australia, and Canada besides a string of processing plants around the world. Last year Eastman foreign subsidiaries purchase[d] $28 million in goods from the American company and beside[s] made sales on their own accou[nt] of almost $140 million. (Whi[le] the parent's equity in foreign sub[s]idiaries is only carried on th[e] books at $5,250,720, on their ow[n] books these assets have a tot[al] value of almost $80 million [at] Jan. 1 exchange rates. This in[]vestment earned the equivalent o[f] $11,297,783 but only paid $4,964,754 in dividends to the parent[.)] In my opinion Eastman's foreig[n] prospects can be summed up [as] "a lot to gain but little to lose" (about 30 cents per share in boo[k] value or annual income).

Although it has been over [] years since the death of Georg[e] Eastman, the guiding spirit wh[o] built the company, its manag[e]ment still seems to be operati[ng] under the great principles whic[h] he used to make it so successfu[l] in his lifetime. In advertising th[e] company remains an outstandin[g] leader. In the early part of th[e] century, the name "Kodak" ap[]peared on the first electric ad[]vertising sign to be used [in] Trafalgar Square in London, an[d] Kodak originated the first placar[d] which appeared on a Paris omn[i]bus. Today the company's geni[us] for advertising is well revealed [in] its display at Grand Central Sta[]tion in New York City. Kod[a]colar, Kodachrome, Teni[te], Chromspun, Recordak, an[d] Ektachrome are new trade name[s] that are rapidly gaining wi[de] public acceptance.

George Eastman, as far bac[k] as 1880, was one of the fir[st] American manufacturers to de[]liberately employ a chemist [to] improve his product. Today th[e] company employs over 600 tec[h]nically trained people—plus su[]

ting staff — in its research oratories and last year spent million on research and $9 lion for product development. astman has built its sales up lmost three-quarters of a bil- dollars a year, yet its capital consists of nothing but com- stock except for a modest ount of $6 million preferred k which would not be out- nding except for the fact that s non-callable.

was the same firm belief and fidence in chemistry and nology which led George tman to employ his first mist that later insired him to ate over $20 million to Massa- setts Institute of Technology, example, so that the country ght produce a steady stream of entists and engineers for all ustry. This technically-minded nsorship has caused the com- y to branch out to the point t now over one-third of its s are other than photographic. But Eastman's diversifications ve not been inconsistent and w a true relationship to its tral chemical processes. Its n-photographic products con- of such things as acetate rayon cellulosic plastics which stem m its basic raw materials and knowledge acquired in manu- turing film. Key chemical raw terials besides cellulose are yl alcohol and acetic acid. In der to get cheap and abundant pplies of these, Eastman found desirable to build a large plant eastern Tennessee. This same jective has recently compelled em to open a new plant for king petro-chemical raw ma- ials in northeastern Texas, at ngview. Its plastics now find e in making such widespread oducts as automobile steering eels, telephone instruments, d toys.

Eastman probably has had as ch experience with plastics as y other American company be- use cellulose nitrate film, first de in 1889, provided the germ the company's evolution, and sitized gelatin, the base for otographic emulsions, is, after , nothing but a water-soluble astic. Today the company pro- ces and also fabricates many pes of plastics for its own use spools, reels, camera boxes, ys, display sheeting, etc. Last ar it announced it would con- uct a 20 million pound poly- hylene plant at Longview, exas. This is the newest and ost glamorous of all plastics. e company has an established sition in the plastics field, and ere are already many other anufacturers waiting for its lyethylene output.

One of its superior brands of nthetic resins is leading the ld in the development of plastic pe. In one of our oil fields nine iles of three inch welded pipe- e have been laid as an experi- ent in liquid transportation. lastic pipe also has tonnage ospects in handling salt water ships and for agricultural ir- gation. Eastman will probably ever make finished pipe but ther the raw materials which ill fit beautifully into its line polymeric structural materials, lm, and fibers. Having out- anding experience in dyes for olor photography, Eastman was ble to beat the field with romspun acetate, a synthetic ber dyed before it is spun and made fadeproof.

Another branch of fine organic emicals into which it is digres- ng stems from the company's rge production of hydroquinone, complex organic molecule anufactured from coal tar and idely used as a photographic eveloper. Today a large share of is production is used to make a ompound for synthetic rubber, nother is a fertilizer for citrus uits and a constituent of poultry ods. Others are used in making aints and bricks. Still another s an antioxidant for animal and vegetable fats and is contained in half of the lard sold in the United States. The latter is a particularly opportune product because of the great overproduction in animal and vegetable fats and oils and so a stabilizer deferring rancidity may serve to broaden the use of this agricultural surplus. In pursuing new uses for hydroquinone, Eastman has developed a valuable product for keeping airplane fuel from gumming, so that in the field of gasoline gum inhibitors Eastman has become a leader, although it has had to go beyond hydroquinone derivatives to attain this leadership.

During the war Eastman laboratories, in an effort to improve the quality of its film, explored the use of high vacuums. Besides the results being very successful in producing a better film, a new general high vacuum technique was developed which has been applicable to many other fields. Eastman's experience and techniques are applied by its Distillation Products Industries division to the production of vitamin concentrates, monoglycerides, and various organic compounds in the drug and food field. In order to segregate these operations a new division called Distillation Products Industries has been created.

One of Eastman's notable chemical achievements is the manufacture and sale of some 3,500 fine organic compounds which are stocked and offered to industry generally for special uses and for research. Probably no other company in the world offers the advanced fruits of chemical technology on such a broad scale.

It is impossible to predict where Eastman's interest and specialized knowledge in chemistry will carry them. They could, however, easily lead them into many new and promising fields as has been duPont by branching out from its original central theme of smokeless powder. I can in a similar way see Eastman becoming a major chemical giant rising from its central theme of photography and becoming another one of America's great world-wide trading corporations.

Eastman Kodak common stock is listed on the New York Stock Exchange and the closing price on Aug. 18 was $60\frac{1}{2}$.

DIVIDEND NOTICES

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of thirty-five cents (35c) per share, on the capital stock (without par value) of the Corporation, payable September 15, 1954, to stockholders of record August 27, 1954.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
August 17, 1954

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series B, and a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, payable October 1, 1954, to the holders of such stock of record at the close of business September 1, 1954.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable September 24, 1954, to the holders of such stock of record at the close of business September 1, 1954.

R. S. KYLE, *Secretary*

New York, August 17, 1954.

DIVIDEND NOTICES

THE GARLOCK PACKING COMPANY

August 11, 1954
COMMON DIVIDEND No. 313

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable September 30, 1954, to stockholders of record at the close of business September 10, 1954.

H. B. PIERCE, *Secretary*

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on August 18, 1954, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable October 1, 1954, to stockholders of record at the close of business on September 15, 1954.

The Board of Directors of this company on August 18, 1954, declared a special dividend of 10 cents per share on the outstanding Common Stock of the company payable September 21, 1954, to stockholders of record at the close of business on August 30, 1954.

The Board of Directors of this company on August 18, 1954, declared a stock dividend of one per cent on the $5.00 par value Common Stock of the company, payable September 21, 1954 to holders of Common Stock of record at the close of business on August 30, 1954.

EDWARD FRAHER, Secretary

Burroughs

219th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable Oct. 20, 1954 to shareholders of record at the close of business Sept. 24, 1954.

SHELDON F. HALL,
Vice President and Secretary

Detroit, Mich.
August 13, 1954

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A second interim dividend on the Ordinary Stock for the year ending 30th September 1954 of five pence for each Ten Shillings of Ordinary Stock, free of United Kingdom Income Tax will be payable on 30th September, 1954.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 221 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C.3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 30th September, 1954.

Coupon No. 102 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London. W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 10th August, 1954.

By Order
A. D. McCORMICK,
Secretary.

Westminster House
7, Millbank
London, S.W. 1

Stockholders who may be entitled by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75¢ per share on the Common Stock payable September 10, 1954, to holders of record August 31, 1954.

ROGER HACKNEY, *Treasurer*

LUDMAN CORPORATION

North Miami, Florida

The Board of Directors of Ludman Corporation has declared the usual quarterly dividend of 10c per share to stockholders of record Sept. 15, 1954, payable Sept. 30, 1954.

Ludman Corporation has paid quarterly dividends without interruption since its first public offering.

MAX HOFFMAN
President

DU PONT

200th Consecutive Common Dividend

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, August 16, 1954

The Board of Directors has declared this day $1.00 a share on the Common Stock as the third quarterly interim dividend for 1954, payable September 14, 1954, to stockholders of record at the close of business on August 23, 1954.

This is the Company's 200th consecutive quarterly dividend on the Common Stock, marking half a century without a break in payments, the first of the unbroken series of dividend payments dating back to December 1904.

The Board of Directors has also declared regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable October 25, 1954, to stockholders of record at the close of business on October 8, 1954.

L. du P. COPELAND, *Secretary*

DIAMOND ALKALI CHEMICALS

Dividend Number 11 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on August 13, 1954, declared a dividend of $1.10 per share for the quarter ending September 15, 1954, payable September 15, 1954, to holders of 4.40% Cumulative Preferred Stock of record August 23, 1954, and a regular quarterly dividend of 37½ cents per share, payable September 5, 1954, to holders of Common Capital Stock of record August 23, 1954.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, August 14, 1954

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

August 14, 1954

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on September 28, 1954, to stockholders of record at the close of business on September 1, 1954.

ROBERT C. SULLIVAN, *Secretary*

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

July 7, 1954.

A quarterly dividend of fifty (50¢) cents per share has been declared, payable September 22, 1954, to stockholders of record at the close of business September 8, 1954.

JOHN G. GREENBURGH,
Treasurer.

CONSOL

The Board of Directors of
PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on September 10, 1954, to shareholders of record at the close of business on August 27, 1954. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

August 16, 1954.

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable October 1, 1954, to stockholders of record at the close of business on September 10, 1954.

B. H. WINHAM

August 18, 1954 *Secretary*

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 181

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 30

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable September 30, 1954 to stockholders of record September 5, 1954. *Checks will be mailed from the Company's office in Los Angeles, September 30, 1954.*

P. C. HALE, *Treasurer*

August 18, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—From now until the roll is called up in yonder November election, the success or lack thereof of the Eisenhower legislative program is going to be quite a conversation piece.

It is a beautiful subject, because there is so much to it that nobody can begin to give a detailed analysis until long after the TV viewer has switched to the wrestling matches and back earnestly to the beer. It lends itself to a credible analysis that it is a big success, and there is equally good material to support the charge that it is a dismal failure.

The answer may lie some where in between.

One of the remarkable things is that so many subjects received action of one kind or another, in view of the amplitude of legislative requests and the hairline majority of the Republicans in Congress.

Mr. Eisenhower's Congressional advisers—if members of Congress could actually be considered advisers in view of the disregard of their advice—were for a strictly limited program of a few or several basic subjects. Mr. Eisenhower was told that the GOP legislative volunteer fire department, so to speak, shouldn't undertake to put out all the fires in the country, they being very short handed. They advised sticking to a few fundamentals that had a reasonable chance of passing, and picking up maybe a few other projects as a reserve stock of campaign merchandise even though chances of passage were remote.

Disregarded Advice

Mr. Eisenhower disregarded this advice. The Annual Message on the State of the Union given last January sounded like a mail order catalog of all the good things of life. There was something in it for everybody, except maybe the underfed jack rabbits of Colorado.

So if the point of reference is the mail order catalog, then the program is a failure. Many of the things advocated in that Annual Message were never actively pressed before Congress, even by the White House. For instance, Federal aid for school construction. That has been postponed as a vote lure until 1956. Meanwhile a government-sponsored lobby has been provided for to beat the propaganda drums for this project, starting next year.

What Is Program

In view of the fact that so many beautiful ideas were forgotten, it is pretty difficult to tell just what is the legislative program. That is where everybody will have a happy time, pro or con, in dissecting this subject. He can take the list according to his partisan bent and demonstrate his conclusion of success or failure, as the case may be.

Some Clean Wins

Mr. Eisenhower scored some clean wins. He got the St. Lawrence Seaway approved, for instance, even if the ultimate cost of this project—the cost of deepening the Great Lakes harbors to permit seagoing vessels to use Great Lake ports — is happily postponed and forgotten until a later date. In getting the Seaway approved Mr. Eisenhower succeeded where no President from Herbert Hoover on had been able to make the grade.

One of Mr. Eisenhower's other sure rounds was the tax revision bill, supposedly "the first major overhaul of the tax laws since 1875."

On the other hand, conservative members of Congress have been aiming for this project for years. Congress started definitely to work on this just three years ago, 10 or 11 months before Mr Eisenhower became a nominee for President. Nevertheless, without the aggressive selling of this project by the Eisenhower team, it wouldn't have passed. In the final round in the Senate, the expert footwork of Chairman Eugene Millikin (R., Colo.) of the Senate Finance Committee, in probable covert concert with the Senate Democratic leader, Lyndon Johnson (D., Tex.) was probably responsible for saving most of this bill against the forays of the left-wing wolves.

Against this victory on the revision bill, however, Mr. Eisenhower lost $900 to $1 billion in excise taxes—more than he probably meant to lose—largely because the Treasury Dept. didn't know how to play with the GOP Congressional team.

Wins on Economy

Round three clearly won by Eisenhower was in government economy. Disregarding all the big economies claimed by the Eisenhower Administration by comparing the Truman estimate for fiscal 1954 with the Eisenhower estimate for 1955, the actual cut in government spending from one performance in 1953 to another in 1954 was around $6 billion — quite a chunk of real money.

Finally, Mr. Eisenhower is getting about what he wants in aid for hospital construction, and probably more or less what he wants in social security, including broadening of unemployment compensation.

He scored a clean victory in getting Congress to boost almost a half billion in annual outlays for two years for highways, even if it is not a remarkably difficult undertaking for the White House to persuade Congress to spend more money on something as popular as highways.

And in foreign aid, Mr. Eisenhower is coming out pretty well.

On military spending, the drive to boost appropriations got no where, and economies were not serious.

Stop here and this amounts to a record of success about of the scope and character which the sagest, seasoned Congressional leaders last December told Ike was about what he could do.

Had Big Failures

Even though some of the Republican puff lists now issuing don't mention them, Mr. Eisenhower also had some first-class failures. No. 1 of these was the ill-fated attempt to please labor and management by getting amendments to the Taft-Hartley Act. Hardly anybody in a responsible position in Congress advised this course.

Another was the foot-in-the-door scheme to bring about government health insurance.

A third was the proposal to raise postal rates to help diminish the postal deficit.

A fourth failure was statehood for Hawaii.

(Neither of the above listings is an attempt to be complete.)

Some This; Some That

The balance of the program was strictly a this-and-that outcome, with partisans of the Administration making light of the legislative short falls and the opponents making the most of them.

There was, for instance, the foreign trade policy program. Mr. Eisenhower wanted a whole host of foreign trade moves, including extension of the reciprocal trade act for three years with power to cut tariffs further. He got merely a nominal one-year extension of the act, so this round probably will be given by the referee to the challenger.

On the farm program the President got a great victory in the newspaper headlines with the allegedly "flexible" provisions. It is doubtful, however, that this bill will result in appreciably lower price support costs, and the Democrats jubilantly believe it will cause farmer-voters to blame the already registered decline in farm income upon the Administration.

The atomic energy act in final form may, but with great restrictions, permit some entry of private power into this field.

On housing, the President asked for legislation to "lessen the dependence of the housing industry upon government" and proposed a bill which appeared to do the opposite, by vastly loosening government-aided mortgage credit. Here, again, the popping of the alleged housing scandals forced Congress to ease housing credit perhaps only half as far as the President requested. On the other hand, the housing construction industry, one of the most avid backers of the GOP in 1952, are downright sore over the housing scandals, and probably will sit on their hands in the forthcoming campaign.

Pug Punishment

Mr. Eisenhower's program reminds people of a young pug, new to the fighting game, with unfounded faith in his ability to take punishment. His opponent was about evenly matched in weight, but a seasoned puncher with an especial adeptness at throwing punches below the wasteline on occasions when the referee couldn't see him.

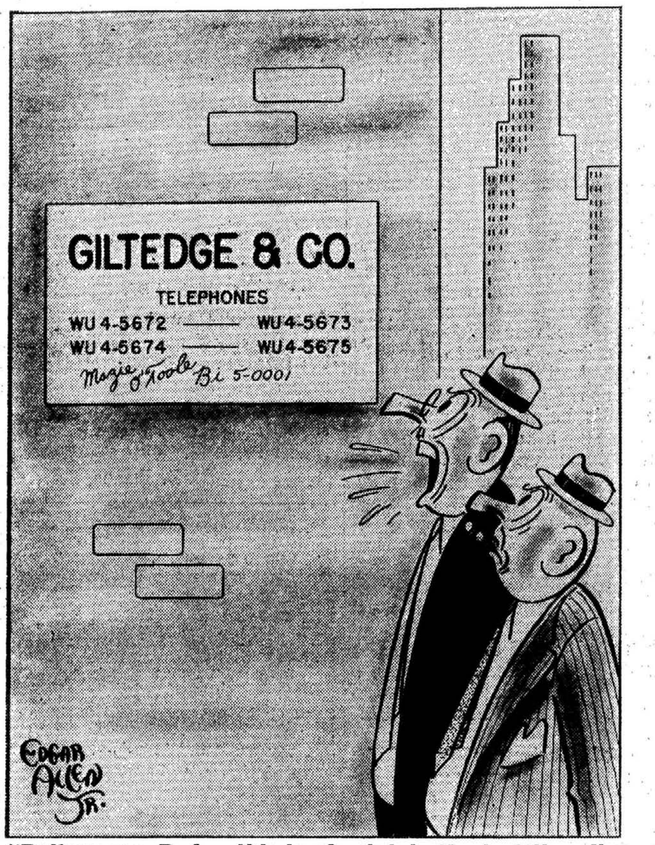
The pug new to the fighting game was sure he could stand 20 rounds, and stand he did, although he lost as well as won several rounds completely. He came out with a decision on points, winning maybe 12 of the 20 rounds by a slight decision.

He ended up with a bloody nose, two black eyes, two cut lips, and a swollen jaw, while his opponent got away with one black eye and a sprained finger.

One of his worst blows was being maneuvered into fighting Senator McCarthy on the side, a blow which all Democrats except enthusiastic McCarthy haters will tell you privately is wonderful. They figure that in the farm belt and the pro-McCarthy belt, much the same territory, many GOP voters, while not voting Democratic, will stay home on election day and allow Democrats to come in on light votes.

(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



"Believe me, P. J.—this is absolutely the last time I'm going to speak to my Secretary about this!"

With Hill Richards

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Gordon L. Koth is now with Hill Richards & Co., Farmers & Merchants Bank Buiding. He was formerly with Investors Realty Fund, Inc.