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EDITORIAL

As We See It

For many years, even decades, neither of the major political parties in this country has often permitted the "farm vote" to escape from their consciousness even for a moment. For months prior to any national test of popularity, each of them has regularly made strenuous effort to have itself regarded as the special friend of the farmer. Ever since the Truman upset of 1948, party managers have been morbid in their dread of offending—or even of not particularly pleasing—the voters who till the land.

The familiar contest is now on this year. Last week the President, who is widely and warrantably being commended for his courage in insisting upon and getting a law which refuses certain favors his opponents have been demanding for the farmer, took special pains in signing the legislation in question to set the act forth as especially helpful to the farmer. What he had to say at once drew fire from Mr. Stevenson, the titular head of the opposing party. Along with the Democratic leader, we must frankly say that we think that the President far overpleads his case, and with the critics of Mr. Stevenson we must agree that he has little or nothing to offer instead.

Our major complaint against the pleas of both, and against what practically all speakers of both parties aver, is that they completely ignore the basic issue in this farm question, and hold tenaciously to the notion that somehow the farmer must be in part at least carried along by the remainder of the population.

Here in brief are the President's claims for the farm measure adopted this year:

"The new law—the central core of a vigorous,

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A Fresh Look at the Business Barometers

By NICHOLAS E. PETERSON*
Vice-President, First National Bank, Boston

New England banker, after surveying current business conditions, discusses the economic outlook by analyzing the various barometers which indicate economic trends. Finds business sentiment is better and enumerates possible stimulating factors for second half of the year. Sees forces indicating a continued ease in the money market, and concludes a moderate adjustment is under way, but the chief stimulating factors that have kept business at a super-boom level are losing some of their steam, and the problems before us are the most critical in our peacetime history.

Following a decline that carried industrial production down to around 10% from the postwar peak of last year, the economy is leveling off. It is likely that on a seasonally adjusted basis the low point of this recession has been passed.

Nicholas E. Peterson

The Federal Reserve index of industrial production, after allowance for seasonal vacation closedowns, was unchanged in July for the third consecutive month. For the first seven months, aggregate industrial production was 11% below the same period of last year.

Business sentiment is better. The prevailing feeling seems to be that the summer letdown will be followed by a fall upturn. There is no general agreement however, on the extent of the improvement that may be expected.

Among the possible stimulating factors for the second half year are:

(1) Accelerated government spending prior to elections.

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*An address by Mr. Peterson at the 61st Annual Convention of the Savings Banks Association of Maine, Poland Springs, Maine, Aug. 29, 1954.

Uranium Stocks And the Investor

By MUNROE F. POFCHER
Attorney at Law, New York City
Formerly With U. S. Atomic Energy Commission

Mr. Pofcher maintains best way to get winning "lottery ticket" in uranium speculation is to investigate intelligently the greatest number of property possibilities, with use of available proven techniques. Holding while consideration of proper precautionary factors will discourage the investor from buying in majority of the new companies, this will nevertheless enable him to select the two or three "good speculations" with substantial return.

Should you consider investing in uranium? Yes—if you now have substantial capital (preferably "tax money") which you are prepared to invest in a long range exploration and development program costing not less than \$2 to \$3 million over a three- to five-year period. Probably not—if you are considering investing in speculative ventures which do not have sufficient exploration capital and potential ore reserves to give you a fair run for your money.

Munroe F. Pofcher

These conclusions are based on geologic indications that great quantities of uranium will be found in the future and economic factors which show that substantial money can be made from the discovery, mining and milling of uranium ores. There is a continuing long-range market guaranteed by a government that wants uranium and is willing to let people make money to encourage further exploration and discovery. But in any speculative venture such as uranium mining, the more lottery tickets you hold, the more you increase your chances of winning. The way to hold more lottery tickets in uranium is to investigate as intelligently as possible the greatest number of property possibilities over a reasonably long period of time, using all of the available techniques that have and are proving successful. These

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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 29.

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

The Whirlpool Corporation—Carl E. Bryant, Investment Consultant, E. M. Newton & Co., Boston, Mass. (Page 2)

Hiawatha Oil & Gas Co. Common Stock—Frank Y. Cannon, J. W. Gould & Co., New York City. (Page 2)

CARL E. BRYANT
Investment Consultant
E. M. Newton & Co., Boston, Mass.

The Whirlpool Corporation

There are two phases to the "growth company" idea. Usually a growth company is considered to be one in the process of producing a new product and promoting its sale in a steadily expanding market. However, a company with a well accepted product may change it or improve it and enter a rapid growth stage by promoting modernization and replacement sales in a market that previously has been well saturated. Of this latter type is The Whirlpool Corporation, one of the large domestic manufacturers of automatic washers, dryers and ironers for the home.


Carl E. Bryant

The home laundry is in a cyclical up-swing of modernization, and the automatic washer is moving in volume. Reduction of household drudgery and the hours that the home-maker spends at it is a basic sales appeal.

In the years 1935-1946, unit sales of electric washers in this country never exceeded 170,000 monthly on the average. Following the war, sales rose sharply on a pent up demand to an average of 360,000 monthly in 1948, the peak of the past five years. Unit sales declined in 1949 to an average of 252,800 units monthly and have exceeded that figure each year since. The record of the first five months of 1954 indicates that the monthly average sales this year will exceed 300,000 units.

A breakdown of these unit sales as between regular electric washers and completely automatic machines is not made but the trend of Whirlpool's dollar sales and the action of other makers is an indication of the direction of the trend to automatics. Last year Whirlpool produced $149,129,142 in sales, which was 11.4 times its sales in 1946. The rate of increase in sales each year has been rapid. The following shows the percentage gain each year over the previous year since 1946, with an estimate for 1954 based on actual sales of $85,204,210 for the first six months:

1954 (estimated)	+14%
1953	+26%
1952	+34%
1951	+12%
1950	+63%
1949	+14%
1948	+79%
1947	+82%

A further indication of the trend to automatics is the recent newspaper announcement that Thor Corporation, a Chicago manufacturer, is planning to double its output to meet orders received during a nationwide tour by sales executives to introduce three new automatic washers.

Some years back, Whirlpool teamed up with Sears Roebuck & Co. and now manufactures the automatic washer sold by that firm under its own brand name "Kenmore." Incidentally, Sears is reported to own 213,478 shares of Whirlpool common.

The Whirlpool Corporation was organized in 1929, but its components have been producing washing machines for Sears Roebuck since 1916. Ten years after organization its sales were less than $6,000,000. In the past eight years the company has reached the stature of a major producer with growing profits and dividends for its stockholders. It was hard hit by excess profits taxes but showed a pre-tax margin of 8 to 11.5%. In spite of a two-for-one split in 1948 and another in 1952, as well as conversion of its preferred called early this year, the earnings in the first half of 1954 were $2.63 a share with a pre-tax margin of 10%. To be sure, elimination of excess profits taxes helped. However, pre-tax profits for the half-year were up $900,000 over the 1953 period and net income was up $1,600,000. The result for the common stockholders was $2.63 a share for six months compared with $2.74 for the entire year 1953. Furthermore, the dividend rate which had been increased from $1 to $1.20 in the last quarter of 1953 was recently increased to $1.60 by declaration of 40c for the third quarter of 1954. Dividends on the common have been paid in every year since 1930. The current rate of $1.60 represents a conservative portion of 1953 earnings (58.5%) and augurs well for a further increase to $2 if earnings for the last half of 1954 keep up the pace shown thus far.

At the year-end Whirlpool had $10,256,000 serial loans, 178,570 shares of 5¼% convertible preferred and 1,355,394 common shares outstanding. Since then, the preferred has been called resulting in conversion and an increase in the common to 1,534,300 shares. The loans are payable annually each year to 1970. Dividend restrictions are liberal, requiring that working capital be maintained at not less than $8,000,000 ($17,443,216 on 12/31/53), and cash dividends limited to net income after 1/1/51. Net income since 1/1/51 totals $11,446,000 or about $7.50 a share. These restrictions can be made more liberal with certain consents on the part of parties at interest.

Whirlpool common is listed on the American Stock Exchange where it had a range in 1952 of 19¼-14⅝; in 1953; 21-17¾, and so far in 1954, 29½-17¾. At the current market of 28½ it sells at a price that looks low in view of prospective 1954 earnings. Continuance of sales for the balance of this year at the first six-months level would very likely result in earnings of at least $5 a share. Higher dividends in such case would be warranted. These are the materials of which appreciation is made. A stock with $5 earnings and a $2 dividend would sell at only eight times such earnings at 40 and would return 5%. Currently Whirlpool common yields 5½% and sells for less than six times its possible earnings this year.

Economic conditions are favorable to the future prospects of this industry. The market is favorable to modernization and automation in the home laundry. There is a clamor for it. To satisfy this demand, it remains only that employment and wages of consumers be high and that there be sufficient credit available to finance sales. Currently, these conditions obtain along with a desire and an effort on the part of the "powers that be" to see that they are continued. It only remains then for Whirlpool Corporation to get the business in volume. It is in a unique position to do so.

A campaign of magnitude was undertaken in 1949 to promote Whirlpool brand products. Added plant capacity in 1952 brought production close to demand in 1953. By the end of 1953 the selling organization consisted of 80 carefully selected distributors and 12,000 retail dealers. All of these moves in recent years made it possible to strengthen and extend the Whirlpool sales organization at the factory, distributor and retail levels.

An entirely new line, improved in design and performance, reached production late in 1953 supported by the largest sales promotion program in the company's history, is producing new sales records in 1954. The company's product is being accepted. It has an established reputation for quality and a low frequency record for service calls, to all of which the rapid increase in sales in recent years bears witness. The extent of its potential market is indicated by the fact that only 17% of wired American homes have automatic washers and less than 5% have automatic dryers. This does not include the additional market generated by increasing population and family formation. To tap this market Whirlpool, in addition to all its other efforts, will have the advantage of Sears Roebuck's distribution through 694 retail outlets in the United States, and 24 in Latin America. In the future is the Sears retail store development in Canada which is just now getting under way. There doesn't seem to be much doubt that Whirlpool will get business and get it in volume, through sales of its own brand products and through sales by Sears under the "Kenmore" brand name. A quality product with volume sales and distribution brings profits to stockholders.

FRANK Y. CANNON
J. W. Gould & Co., New York City

Hiawatha Oil & Gas Company Common Stock

My first contact with substantial oil stocks was in 1913 after the dissolution of the old Standard Oil Company of New Jersey, with markets being made for the stocks of the 33 segregated companies. In the years that followed I became interested in looking for stocks of crude oil and gas producers that I ascertained had **good management** with chances for growth and expansion. Within the not too distant past, I selected Argo Oil Corp. and General Crude Oil Company, which I thought fitted into this category. Both stocks were available at that time at the eight to nine level. The equivalent today for Argo Oil is about 83, and for General Crude Oil approximately 60.

I am of the opinion that the common stock of the Hiawatha Oil & Gas Company, at the eight to nine level, offers the investor with **vision and patience** a somewhat similar opportunity for appreciation in value, as was pre-

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It Should Never Have Been Started!

SEC dismisses proceedings against Otis & Co. Pertinent "Chronicle" editorials reviewed. Public cost of Administrative meddling outlined.

The cliche that "Justice will emerge triumphant" finally found its realization in the "Findings and Opinion of the Securities and Exchange Commission" exonerating Otis & Co. from any violations of law in connection with the Kaiser-Frazer underwriting.

Back in August, 1948, more than six years ago, proceedings were instituted by the SEC to determine whether the broker-dealer registration of Otis should be revoked, and whether Otis should be suspended or expelled from membership in the National Association of Securities Dealers.

The Order for these proceedings was based upon these alleged grounds: (1) That Otis caused a lawsuit (the Masterson Suit) to be filed against Kaiser-Frazer to evade its obligations under its underwriting contract; (2) while Kaiser-Frazer was stabilizing the market, Otis got others to sell with a view of repurchasing from the underwriters at the lower public offering price; and (3) Otis offered and sold the Kaiser-Frazer stock before the registration statement became effective.

In now granting a motion to dismiss these proceedings, the Commission, as to the first charge, adopts the decision of the Court of Appeals for the Second Circuit that the instant underwriting contract was illegal because the registration statement of the securities with which it dealt was false and misleading in that it substantially misrepresented certain earnings.

Dealing with the Masterson Suit, the SEC says in part:

"* * * the provisions cited in the order for proceedings are not applicable in the circumstances presented," insofar as it realates to "* * * the alleged use of a device to avoid performance of an illegal and unenforceable contract between an issuer and an underwriter."

As to the other charges, the Commission found there was no evidence to support them and that no prima facie case has been made out.

The Commission adds:

"* * * we are satisfied that in view of the extensive detriment already suffered by Otis and of the fact that as a result of the termination of the underwriting contract no harm came to public investors to whom the stock was offered, it would not be in the public interest to take any action with respect to Otis' registration as a broker-dealer and its membership in the NASD because of such alleged acts."

In pursuit of our editorial policy we expressed certain views while all this was going on, some of which we now review with considerable satisfaction.

Among these we said:

"We have remonstrated with the Securities and Exchange Commission and with the National Association of Securities Dealers for their combined unreasoning entry into a private dispute arising out of an underwriting agreement between Otis & Company and Kaiser-Frazer."

"Our attitude is that the dispute is a private one conducted by reputable litigants who have placed their rights and the equities before the courts for adjudication and that therefore the administrative bodies should have adopted a neutral and strictly hands off policy until the courts render judgment."

"* * * the persistent efforts of the SEC and the NASD to discipline Otis & Company served neither the public

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Strength in Cement

By IRA U. COBLEIGH

Enterprise Economist

Mixing together some items about cement, the bed rock of the building trade, and offering some notes about a few of the manufacturers of this magic adhesive powder.

A lot of investors got stuck in cement back in the 1930's; and some of them with long memories and short, or no positions, in cement shares today still call cement shares dangerously cyclical. They opine that the postwar building boom is about over, that the cement industry has cashed in on it, and that the demand for cement will slacken, as it has for steel, copper lead, motor cars and TV sets. In a word, to these somewhat hard-bitten characters, cement shares are too high and if they have any place to go, it's down.

Ira U. Cobleigh

With due regard to the error of holding such an opinion for the past five years, the cement pessimists do have a few points of logic culled from the history of the trade. In the '20s there was an overexpansion of cement production capacity (for those times and the, then, population) and the dreary thirties saw a lot of cement mills close or operate at pitiful losses. Cement sold as low as 50c a barrel at the mill. (It's around $2.85 today.)

Financial reorganizations or recapitalizations were definitely in fashion. Cement mills represent a heavy original investment and unless they operate somewhere above 55% of capacity, most of them will grind out all limestone and no profit. In the early thirties few were hitting anywhere near 55% operation, price cutting was incisive and, to add to the trade's woes, imports of Belgian, Danish and Swedish cements were pouring into the Eastern seaboard at distressingly competitive prices. The blues of the cement stockholder were not psychosomatic—they were real.

The Tide Turned

But brighter days lay ahead. As the 1940's approached, business generally advanced, and an expanding public works program gave the sorely needed lift to cement. Then came another slackening off spell. While cement was in good demand to beef up our war production capacity, by 1943 we stopped building new plants and were turning out, at a titanic rate, the military hardware which did not importantly include cement products. But the ultimate demand was, all the while, growing apace—new roads, new schools, new housing, new hospitals, all unbuilt pending the war's end.

By 1946 the cement industry was poised for the most dramatic advances in demand, and profitability, in its history. But how did it propose to meet this golden future? By plant expansion a la the 1920's? True, there was some building of new plant facility, some renewal of old, but by and large, the technique employed was merely to hop up the percentage of operation from about 65% in 1946 to 95% today. In this way, the industry was able to bulge its output from 170 million barrels in 1946 (a barrel equals 376 pounds, or four ordinary bags of cement, and is a hangover from the days when cement was actually packed in barrels) to 261 million last year.

The effect of this on cement stocks in the market was much as you might have imagined. Not being burdened with heavy outlays for new plant, year by year (as, say, a chemical company), and not having to devote any sizable chunk of earnings to research (since cement continues to be made in much the same way as 25 years ago) cement company earnings shot up, cash dividend payouts grew more and more generous, and much of the undistributed earnings stayed with the enterprise in the form of such tidy balance sheet baubles as cash and government bonds. Price gains of 150% and 200% in shares were not uncommon. At one time the demand for cement was so great that it was being bought in Pennsylvania and trucked to Miami.

Price Restraint

A principal problem of cement in the eight postwar years was price. Competition of the thirties, monopoly price charges by the Federal Trade Commission, and price controls lasting well into the postwar era (they ended in 1953) tended to deny to cement the heavy price upswings so noticeable in other building materials (lumber has advanced 400% in the past 15 years, cement about 65%). In fact this lag in price is probably one of the major reasons why significant additions to total capacity have not been made. Whereas price has advanced to the extent noted (it averages around $2.85 a barrel f.o.b. mill today) it costs four times as much to build a cement mill of equal capacity today, as 25 years ago.

Another thing, you can't build a cement mill just any old place. You build it near a substantial supply of limestone, either in quarries as in the Lehigh Valley and Hudson River Valley districts in the East, or near the seashore like the Lehigh plant in Bunnell, Florida, where the limestone comes from ground-up coquina shells. Cement is a heavy product and it costs a lot to transport it. As a result, cement companies, like breweries, have tended to create such output as could be steadily sold quite locally, within say a 225-mile radius of the plant. These three factors, price of plant and product, limestone supply, and transportation costs, have tended to prevent cement mills springing up all over, like supermarkets.

Still In Sellers' Market

That brings us up pretty much to now. Here we see one of the few industries still in a sellers' market (thanks mainly to a program of non-expansion), with an all time high in earning power (particularly without E. P. T.), a cash payout that is excellent and probably on the increase, wonderful solvency, and share performance in the market that has Dow slapping Jones on the back.

Now we get down to the crucial question. Is all this too good to last? Does the argument of the pessimists (whom we dusted off a bit earlier) have validity at this juncture? In the main, no. The industry is more stabilized than ever, certainly well heeled enough to stand quite a bit of adversity (should it come) and the demand in sight is fantastically good. President Eisenhower's $50 billion interstate road building program looks fine, home building is still roaring and the need for new schools, hospitals, sewers, dams, etc., to meet the requirements of our 160 million population suggest that big cement buying will continue. It is true that, for the first time in a score of years, Belgian cement has been coming in volume into New York and Boston, with Danish and German imports a distinct possibility; but the demand looks so bright that, at least for another year, the American cement companies will be operating at virtual capacity. Cement company shares look as solid as any building or construction equities you can cite. The capitalizations in most cases are amazingly simple—just common stock—preferreds or bonds, if any, having been retired out of the lush cash earnings of recent years.

Some Industry Leaders

Well then, assuming that cement today offers financial strength moderately comparable to its structural strength, which ones look most attractive if you have your buying shoes on? My notion would be to start with a big company with a number of mills strategically located throughout the country, like **Lehigh Portland Cement Co.** Lehigh earned $3.32 in 1953, pays $1.20, could pay more this year. At 40 the yield is 3% but a higher dividend could correct that, and the balance sheet is marvellous. **Penn Dixie** is selling at only nine times earnings and could pay more than the indicated $2.50. Price about 52. Among the smaller companies **Giant** looks good with a mill in Pennsylvania and a quite new one in South Carolina, where the demand has been especially good. And of course to share in the daddy of them all, **Universal Atlas Cement Co.**, you must be a stockholder in U. S. Steel, which owns Univerasl outright. **Alpha** has been a solid performer paying dividends in 36 out of the past 38 years. **Riverside Cement** in California looks interesting.

Cement has proven a durable commodity with expanded usage and today deployment of funds into this industry does not appear difficult to justify. Perhaps some among the issues we've named deserve your more detailed analysis.

The State of Trade and Industry

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

There was evidence last week of an improvement in industrial production in the Fall. Here in New York, according to reports, a group of security analysts estimated that during the remainder of the year railroad carloadings should rise and more nearly approximate last year's freight traffic.

The past week President Eisenhower stated that stockpiles of lead and zinc will be increased, which will boost output of these mining industries. The Office of Defense Mobilization also announced that in the future private industry will keep productive facilities ready for possible full-scale output of military, atomic and maritime needs in war time. Private industry will be paid to maintain in productive condition idle equipment considered essential for possible defense needs. It was further stated payments of several hundred millions will be involved annually. It was reported that the Administration plans to devote considerable attention in the near future to certain distressed industries, such as soft coal and textiles, and will make relevant recommendations to the Congress in January. The Secretary of Commerce announced last week that many restrictions on trade in non-strategic goods with some Iron Curtain countries will soon be lifted.

On the employment front, the government reported that idle workers' new claims for jobless pay and the total of workers getting benefits have both fallen to the lowest levels this year in the period ended Aug. 21.

The Labor Department's Bureau of Employment Security said new claims dropped by 5,600 in the week ended Aug. 21 to 250,-100. The drop was the sixth in a row. Over the six weeks, new claims volume has sunk by 94,000 to a level 218,700 below the 1954 peak. That high came in early January.

The Aug. 21 week's total of new claims compares with 178,-952 a year earlier. The latest total is the lowest since the week ended last Oct. 31, when 234,000 new claims were filed.

In the week ended Aug. 14, meanwhile, the total of workers drawing compensation dropped by 34,100 to 1,716,200. This was the lowest level since the week ended last Dec. 26, when insured unemployment totaled 1,589,125. The latest total compares with insured unemployment of 822,068 a year earlier.

Among factors contributing to the reduction in new claims, the Bureau of Employment Security said, were fewer vacation layoffs, a decline in new unemployment in industries expanding seasonally, and a reduction in layoffs in the fabricated metals, electrical equipment and non-electrical machinery industries.

Manufacturers' sales for the month of July amounted to $22,400,000,000, off $2,300,000,000 from a year ago, the United States Department of Commerce reported. After seasonal adjustment, volume was about the same as in June. Manufacturers' inventories at the end of July were valued at $44,200,000,000—a $500,000,000 reduction during the month, and $2,200,000,000 less than a year earlier.

Personal income has shown "considerable stability" since the spring of 1953, states the United States Department of Commerce this week. During July, it noted, income receipts of individuals ran at a yearly rate of $286,500,000,000, unchanged from June, but $1,700,000,000 below the pace of July, 1953. For the first seven months, however, personal income set an annual gait of $285,600,-000,000, or $200,000,000 above the like 1953 period.

This week marks the beginning of the long-awaited upturn in the steel market, states "The Iron Age," national metalworking weekly. There is a modest increase in new orders and production is scheduled slightly higher for the second week in a row. With the exception of the Labor Day week, the market should continue to improve gradually, it reports.

The most significant thing about the upturn is that it has been achieved without the stimulus everyone has been waiting for—renewed steel buying by the auto industry for new models. When that happens it will furnish more strength to an already recovering patient.

Still, there is no reason to expect that improvement will be spectacular or sudden. It may actually be so slow as to be barely discernable from week to week. But within the next two months or so the ingot rate should climb about 10 points, continues this trade paper.

Here are the signs that tell us the steel market has turned the corner and is headed up "The Iron Age" points out: (1) Several steel companies have noticed a slight increase in both tonnage and number of new orders. The ones not reporting an increase

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Observations . . .

By A. WILFRED MAY

— DRAMATIZING VALUE —

And Other Implications of the Battle of Montgomery Ward

The booming Battle for Montgomery Ward, with its klieg-lighted press conferences and the front-page rags-to-riches story of the venerable Seward Avery's young challenger, assuredly is providing the public with its fill of drama and glamour. But beyond this, the embroglio is already evincing some extremely serious and fundamental principles of investment and corporation finance.

A. Wilfred May

L. E. Wolfson

First, Mr. Wolfson's arrival-on-the scene substantiates the value-appraisal approach as an investing policy. The current galvanization of Ward's value elements, consisting of liquid assets and development potentialities, into market action demonstrates again that given enough time, "value will out"—in one way or another.

Mr. Wolfson's Expectations

In a special interview with your columnist this week, Mr. Wolfson expressed himself as envisaging 175 (versus the current 75) as an eventual attainable market price for the stock. This happy conclusion he bases on the ratio of market to book value of Sears; as well as on the boost to volume and net derivable from management reform. Mr. Wolfson disclosed that careful study has revealed to him that with the putting of idle capital to work, under competent merchandising personnel which he has surveyed, a net-after-tax income of 5% of volume is entirely feasible. On a volume expanded to $1½ billion this would mean net earnings of $12 per share, further substantiating the 175 market price (in line with Sears' price-earnings ratio of approximately 14).

Whether these expectations turn out precisely valid is not at all crucial to our broad investment conclusions. Our point of interest is that the sales potential and quantitative value elements of net quick liquidating value of $87 per share, with $45 in cash and Governments (excluding unsold but cashable time payment accounts of another $27 per share) are coming to practical fruition.

And should it even turn out that these expanded sales and profit plans are not embarked upon; in any event dividends would be increased as a result of being raised to a fair payout proportion, in contrast to the existing policy of even hoarding current earnings to swell the already overflowing cash till. As Mr. Wolfson remarked to me, it is a wonder that the existing dividend policy has not been penalized under section 102 for unwarranted accumulation of surplus.

Alternatively in the event of non-expansion, the suggestion, as broached on behalf of a group of stockholders by Thomas J. McCann, partner of Gerstley Sunstein & Co., for a major distribution could be followed; namely, to use some portion of the short-term U. S. Government securities (then $232 million, now $270 million), which have an effective net yield of less than 1%, for the acquisition of the company's outstanding common stock, either by open-market purchases or by requesting tenders at some price above the current market and below the net liquidating value. How one million shares could be bought in by the

Continued on page 25

Atomic Energy and the Outlook for Business

By DR. JULES BACKMAN*

Professor of Economics, New York University

Dr. Backman analyzes mixed economic results to ensue from development of areas with atomic energy plants. By way of business forecast, expects fluctuations to be more moderate than heretofore, owing to creation of subsidising floors. Predicts political factors will lend long-term stability to price structure.

Atomic Energy

Areas with atomic energy plants are growing areas. Atomic energy installations are gigantic industrial aggregations. One accompanying development necessarily is the creation of large scale electric generating facilities. Inevitably a cluster of atomic energy using plants and facilities will be attracted to the area. Of particular importance should be the experimental research laboratories of industries which are potential users of atomic energy.

Dr. Jules Backman

The increase in employment accompanying these developments creates the need for many service facilities. More and bigger retail stores, more wholesale trade, more recreational facilities, improved roads, service stations, — these are the inevitable by-products of atomic energy installations. In part, the greater needs may be satisfied by the modernization and enlargement of existing facilities. But new facilities also are required.

Community facilities also must be expanded. More schools, more hospitals, more police, firemen, and related services. These, too are unavoidable.

However, the path will not be one of steady growth. During the early stages of atomic installations, the growth will be exceedingly rapid because of the large volume of construction required. When this is completed, some settling down is to be expected as the construction crews move on and as suppliers of building materials face a contraction in volume. But the vacuum created will slowly but surely be filled by the development of the various satellite industries. The outlook for such communities is very favorable and the employment opportunities very good.

Business Forecast Long Term

Since 1948, the population of the United States has increased by an amount equal to the entire population of Canada. To state it differently, a new market equal to or greater than the entire Canadian market has been created in this country in a period of six years. Here is a dramatic illustration of what the large birth rate of recent years has meant in terms of sales opportunities in all lines. The Bureau of the Census estimates that in the next 10 years we will add 25 million to our population. By 1975, the total will exceed 200 million or an increase of 25% over the present total. Here is the basic reason for the expanding American economy visualized over the next two decades.

Big government is here to stay. And this means high taxes. While some further tax reductions will be possible—in the absence of new wars—the levels will remain considerably higher than those known prior to World War II. At the same time, further increases in local taxes seem certain to take place as the demand grows for additional schools under the impact of the high birth rate in recent years.

The fluctuations of business activity will continue to be more moderate than in the past. A repetition of the 1929-33 collapse is not likely to recur because of various institutional changes in economy. Social insurance, including unemployment insurance, places a floor under the income of millions of families, including the unemployed and the aged. Farm incomes are protected, at least in part, against catastrophic price declines. Guarantee of bank deposits gives protection against the effects of bank failures. Government deficits are automatically increased when business activity declines because tax revenue declines rapidly while some types of government expenditures may be increased.

Business Forecast and Prices

Business activity will show no marked recovery during the remainder of 1954. A balance sheet of the forces at work shows the following: Expansionary factors include higher construction awards, tax relief and tax reform, the government's easy money policy, and increasing state and local expenditures. The sustaining forces include: the high end product demand, maintenance of disposable income, high savings, strength in foreign economies, built-in stabilizers, and high level Federal Government spending. Important negative factors include: further inventory liquidation, the poor farm outlook, reductions in auto and steel output, liquidation of consumer credit, reductions in plant and equipment expenditures. This is not the background which would lead to a dynamic expansion of economic activity.

There will be no return to prewar price levels. The collapse of prices which developed after past wars has not taken place since World War II and is not likely to occur. The large inflation in our economy can only be reduced in the short run by large budgetary surpluses—a politically impossible situation. High unit labor cost stilts are under prices in many sectors of our economy—and these are not likely to be reduced. A major decline in prices would be accompanied by huge unemployment. And no government—Republican or Democratic—is going to stand by idly under such circumstances. The cure for the consequences of inflation will be more inflation rather than deflation. As I see the long-term outlook for commodity prices, we have established a new plateau which is at least 75 to 100% above the prewar level. Prices will fluctuate above that level—not below it. There will be no repetition of the collapse in prices that followed World War I.

*A summary statement by Professor Backman presented before the inaugural session of the Ohio Savings and Loan Academy, Granville, O., Aug. 14, 1954.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James R. Crouch is with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Crouch has recently been with the Union National Bank of Springfield. In the past he was with Edward D. Jones & Co.

Monthly Investment Plan Helped by New Revenue Code

By LEROY E. RODMAN
Member of the New York Bar

Mr. Rodman shows how the Internal Revenue Code of 1954 supplies brokers with a new vehicle for promoting sales under the Stock Exchange's Monthly Investment Plan, in the form of a trust for a minor.

Changes made in our tax laws by the new Internal Revenue Code of 1954 should prove helpful to the Monthly Investment Plan set up by the New York Stock Exchange. On Jan. 25, 1954 the New York Stock Exchange introduced a new method of buying stocks which conforms with the recognized buying habits of a large part of the American people today. It enables Member Firms to apply mass merchandising methods to their dealings with customers by having them invest as little as $40 monthly or quarterly in any stock listed on the Exchange. The plan is based on two successful principles of large-scale merchandising:

Leroy Rodman

(1) The initial purchase is simple and painless; and

(2) Payments are systematic.

The Exchange has high hopes that by thus broadening the base of the securities market it will make Wall Street's product readily available to the smaller investor, while at the same time bringing greater stability to securities markets. After the first five months of operation more than 19,000 plans were on the books with payments approaching $4 million. This is a rather modest beginning if it is compared to the total dollar volume of shares traded on the New York Stock Exchange from Feb. 1 through June 30 which amounted to more than $8,750,000,000.

Sales to Military Personnel

Recent articles have pointed out that open-end mutual funds have begun to sell their own securities on a monthly payment plan to military personnel. In fact, they have been selling on this basis to other people of limited income for a long time. Although the principles behind the Monthly Investment Plan appear to be basically sound, for some reason or other it has not yet caught on with many Stock Exchange Houses.

Why this should be the case is not altogether clear. Perhaps it is the newness of the Plan and the false fear that the paper work involved might make the program unprofitable. Actually the odd-lot houses handle the back office work, thus allowing Member Firms to concentrate on sales without the usual problem and expense of servicing. Perhaps it is the fact that most brokerage firms, accustomed to dealing with persons of substantial means, have not yet learned how to reach the broader market; or perhaps brokers have concluded that the man of substantial means, already educated to the wisdom of a securities investment program, would have little interest in the Monthly Investment Plan.

New Revenue Code Supplies Ammunition

Whatever the cause may be, however, the new Internal Revenue Code has now supplied the alert stockbroker with a new medium for attracting the capital of his well-to-do customer. Most men interested in the stock market inevitably come to the point where they would like to buy a few shares from time to time for their children. Such a program ties in with good estate planning for it siphons off from the father's estate assets which might otherwise be taxed therein upon his death, at high estate tax rates. Consultation with a tax adviser has probably brought the advice that such siphoning could be accomplished without gift tax consequences by cash or other gifts of an amount or value not exceeding $3,000 per year per child—or even $6,000 per year per child if the mother joined in the program.

Fear of Minor's Accounts

The big stumbling block to the purchase of securities for minors has been the stockbroker's fear of minor's accounts. This fear was born of unhappy experiences during depression years. Many a stockbroker found that the minor was in a position to claim his profits but at the same time to rescind when losses took place. As a result, few brokers whose memories carry back to the 1930's will countenance any transactions in the name of a minor. Moreover, even if the broker should close his eye to the minor status of the customer and rely upon the credit of the father, the father soon finds himself in an unhappy position—how to sell the investment once it has been taken in the name of the minor. At this point the minor must authorize the sale and with it comes the inevitable unwillingness of the broker to participate in such a transaction.

Faced with this problem, the customer has usually turned to his lawyer. The lawyer in turn probably suggested a trust for the child. But if the lawyer was a good tax lawyer, he also told his client that the transfer of money or assets to a trust for a minor might be a gift of a so-called "future interest" and that gifts of future interests would fail to qualify for the $3,000 per year per person exclusion. If the gift to the trust for the child did not qualify for the exclusion, it meant that for each year in which transfers were made to the trust for the minor, a gift tax return had to be made. Once the father's $30,000 lifetime gift tax exemption was consumed, gift taxes would then become due.

Since clients were generally unwilling to face the gift tax problem, many permutations of trusts for minors were developed by lawyers in an attempt to escape the future interest rule. What the lawyers found, however, was that in most instances where such trusts were created, the Commissioner of Internal Revenue, on audit, claimed gift taxes. Where the father litigated the issue in the courts, he usually found the Commissioner was the victor.

It was against this background that Section 2503 (c) of the Internal Revenue Code of 1954 was passed. The new section provides that gifts to minors are *not* to be treated as gifts of future interests if (1) the property contained in the trust and the income therefrom can be spent by or for the minor before he reaches his 21st birthday; (2) all such amounts not so expended would pass to the child upon reaching his 21st birthday; and (3) in the event of the child's prior death, such assets would become payable to his estate or as the minor might legally direct.

Desirable Trust Permitted

The new section now permits the lawyer to supply his client with a trust which meets the desired result. Each year the father can contribute $3,000 to the trust—in fact, $3,000 to each of the separate trusts for each minor child the father may have. This $3,000 will fall within the $3,000 gift tax exclusion so that no gift tax return will be necessary. The $3,000 can be arranged in a Monthly Investment Plan. Through the trust, investments can be changed as circumstances demand without running afoul of the old problem of handling minors' assets.

Freedom from gift tax is, however, not the only lift given by the new tax law to the program outlined. Section 151 of the new Internal Revenue Code provides that a child under the age of 19 or even a child who is over 19 but is a full-time student, may still be taken as a dependent upon his father's income tax return, regardless of the income which the child may have, provided the father continues to supply more than one-half of the child's support. Thus, by creating the trust and not using the income from it for the child's support, the father eliminated from his own taxable income the income from the securities now contained in the trust. At the same time he is still able to claim the child as a dependent and secure the $600 exemption for such child. Since the child or the trust would presumably be in a lower tax bracket than the father, there is an income tax saving as well.

The Internal Revenue Code of 1954 has thus supplied brokers with a new vehicle for promoting the Monthly Investment Plan, namely, "A Trust for a Minor."

**The author acknowledges, with thanks, the kind assistance of Mr. B. D. Fidanque, Jr., partner of the New York Stock Exchange firm of Rosenthal & Company, for supplying and checking portions of this article.*

COMING EVENTS

In Investment Field

Sept. 9, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago breakfast 8:30 to 11 a.m. at Welty's Restaurant.

Sept. 10, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 10-13, 1954 (Montreal, Canada)
American Statistical Association (Business & Economic Section) convention.

Sept. 16, 1954 (Cedar Rapids, Iowa)
Iowa Investment Bankers Association field day at the Cedar Rapids Country Club.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 20, 1954 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia first dinner meeting in the Regency Room of the Barclay Hotel.

Sept. 22-25, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Our Monetary and Fiscal Policy

By PAUL STUDENSKI*
Fiscal Adviser, New York State Division of the Budget;
Professor of Economics, New York University

Professor Studenski declares fiscal and monetary policies must be flexible and positive; and ready to counteract promptly inflation or deflation. Urges greater flexibility and reduction of expenditures.

Fiscal and monetary policies vitally affect all segments of our national economy. They are important tools in the hands of government for the promotion of greater economic stability and continued economic growth of a free society.

Dr. Paul Studenski

To be effective, fiscal and monetary policies must be flexible and positive. They must be capable of rapid readjustments to changed economic situations and able to counteract quickly any pronounced tendencies of the economy at any given moment toward either inflation or deflation, toward either a boom or a depression.

Monetary policy is more flexible than fiscal policy. It has been experimented with a longer time and, therefore, has had a better chance to acquire the means of flexibility. It is also less affected by politics and less subject to pressures and resistances from affected influential private pressure groups. The effectiveness of monetary policy as one of the important mobilizing forces in the economy has been amply demonstrated in recent years, as it has been applied with eminent success, together with other economic measures, during the Korean War to combat inflation and currently, in a reverse manner, to combat a recession.

But we are learning rapidly how to apply also fiscal policy flexibly, to the same ends of economic stabilization. We reversed our tax policy almost overnight with the outbreak of the Korean War, increasing tax rates sharply as a protection against the greater evils of inflation; and we are changing our taxing policy again this very moment, reducing taxes as a means to mitigate the current recession and also to restore the economy's ability for continued normal growth.

New Built-in Flexibility

Our Federal budgetary system today contains considerable built-in flexibility which it did not possess 20 to 25 years ago. Revenues are much more sensitive to the business cycle than they were before, being derived to a much larger degree from personal and corporate income taxes and collected on a current basis. Expenditures are also much more sensitive, as they contain today the important item of social security and public assistance outlays which move with the business cycle, but do so in exactly a reverse direction from that of revenues, expanding during depression and contracting during periods of prosperity. As a result, on the upswing of the cycle revenues expand, automatically but the foregoing expenditures contract just as automatically tending to produce cash surpluses which moderate the force of the upswing, while on the down swing the reverse situation develops, revenues contracting while the expenditures in question expand, producing cash deficits which cushion the depression. Thus, this built-in flexibility works automatically as a stabilizing force in both phases of the cycle.

Our Federal fiscal system today contains also a number of instrumentalities not previously available, for the effective application of flexible fiscal policy by deliberate action of the executive and legislative departments of the government.

With their aid, decisions altering the course of fiscal policy in the face of an altered economic situation can be reached much more quickly than before by the President and his advisor as well as by Congress itself. I have reference to such instrumentalities as the Council of Economic Advisors and the susbtantial and technically well equipped staffs of the Treasury and of the Bureau of the Budget as well as the Congressional Joint Committee on the Economic Report and the Congressional Joint Committee on Internal Revenue Taxation.

There are ways to strengthen further both the existing built-in flexibilities of our Federal budgetary and fiscal system as well as the means for the application of a managed flexibility therein. I have no doubt that full advantage will be taken of these opportunities in the years to come, just as they have been taken in the past in perfecting the flexibility of our monetary controls.

In addition greater flexibility needs to be introduced also in our state and local governmental fiscal policies, as these must be co-related more closely with the Federal fiscal programs. Otherwise, the objectives of economic stabilization through the application of rational fiscal policies may be readily defeated.

But the development of greater flexibility in our fiscal policies, even if accompanied with a like perfection of our other governmental economic controls, will not suffice to produce conditions essential to the continued healthy growth of our economy. There must also be brought about a sharp substantial reduction in the size of our Federal expenditures and tax burdens and the orderly restoration of the Federal budgetary balance as a normal condition. There is no doubt but that the heavy Federal tax burdens inhibit private enterprise from making new investments in plant and equipment and in new types of products, thus retarding technological advance and the rate of rise in productivity and in the standards of living generally. Nor can there be any doubt that these heavy tax burdens also interfere with the ability of our consumers to buy the expanding outputs of our enterprises. Fortunately, there is full awareness among both our governmental leaders and the general public of the imperativeness of this type of action. The revision of our Federal revenue law and the budgetary measures, just enacted, are important steps in this direction and there is adequate assurance that other measures along these lines will follow in due order in the next year or two.

*A summary statement by Professor Studenski presented before the inaugural session of the Ohio Savings and Loan Academy, Granville, Ohio, Aug. 14, 1954.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo.—John W. Kane has joined the staff of Allen Investment Co., 1921 Fourteenth St.

A Plea for Monetary Restoration

By ERNEST R. GUTMANN
Economist, Russell & Saxe
Investment Securities, New York City

Dr. Gutmann discusses the domestic and international monetary situation and advocates increasing the official price of gold to offset loss of purchasing power of the dollar. Says either the price of gold must go up or the level of prices go down. Asserts it would be far better to put the price of gold up voluntarily than to undergo the tensions of self-liquidating excesses. Concludes adjustment of the monetary unit is only way to stabilize, without starting a serious depression. Urges re-defining the monetary unit in keeping with the price structure before we go back simultaneously with other nations to the gold standard.

The indisputable fact that our monetary unit has lost half its purchasing power is the condition which, sooner or later, will have to be ameliorated. We are standing exactly at the halfway mark and three courses of action are open, once we wish to close this open end:

Dr. E. R. Gutmann

(1) Additional self-immolation which as a strictly palliative device cannot be recommended.

(2) Abrogate the artificialities and return to a more natural state of the nation's economy—as we started the spiral with 75-cent wheat and 75-cent wages—consequences would be violently deflationary, and, therefore, unrealistic for political and social reasons.

(3) Adjust the present half-brother of our former monetary unit to the 1954 purchasing power. This course would recognize the damage already suffered, would keep semblance to the existing price and wage level, would still leave our financial machinery flexible enough, and would give us a new basis for real growth, not inflation. The symptoms are visible, the weight of opinion grows that depreciation of currency is no road to lasting prosperity.

The Nature of the Problem

Economic science knows only two measuring rods in free enterprise society for the comparative value of a given currency: purchasing power, and gold. Both are inter-dependent and are components of one equation. For example, $1 (1934 purchasing power) is equal to 1/35 of an ounce of gold. Purchasing power representing the medium of exchange—money value of merchandise and services; and gold representing the value of the reserve purchasing power used by definition for regulating the balance of payments not covered by merchandise exchange. Like two sides of a scale, both sides of the equation have to be in equilibrium in order to balance. According to official statistics (Index of The Department of Labor) the purchasing power of the dollar has shrunk 47% since 1939. The purchasing power of the 1954 dollar is consequently 53¢. As the 1934 definition $1 equals 1/35 of an ounce of gold remained unchanged, the equation reads today as follows: 53¢ is equal to 1/35 of an ounce of gold, which allocates the price of $18.55 (1954) to an ounce of gold. Thus, the overvaluation of the paper dollar leads to an undervaluation of gold.

The Gold Reserve Act of 1934 purposed 100¢ (1934) to be equal to 1/35 of an ounce of gold, which bestows a price of $66.15 (1954) to an ounce of gold. This price would adjust the 1934 gold price to the 1954 purchasing power level. It would not mean the impact of a new inflationary force, because the inflation 1.89 times is already an established fact. The adjustment *per se* is neutral. It is neither inflationary, nor deflationary, but it is indispensable to confidence in a currency. Gold, even if its value is extraneous, provided the standard by which people could judge the extent of distortions that developed between quality and quantity of the monetary unit.

What Gold?

We are governed by a domestically inconvertible International Gold Bullion Standard, which means we are part on, and part off, the standard. We could go completely off the standard, which would mean the paper standard pure and simple. Or, we could go completely on the standard, which would not be realistic at the present time, because we would have to ask ourselves "with what gold?" In 1949 our total stock of gold bullion was $24½ billion. In 1954 it is $21.9 billion. On balance we lost $2½ billion in gold. Foreign credit balances on Jan. 31, 1954 amounted to about $11.9 billion. These balances will never be completely withdrawn, but they constitute a potential threat. As per Treasury agreement under the International Gold Bullion Act, foreign central banks are entitled to withdrawal in kind. Using caution, we can, therefore, count on $10 billion gold which we own free and clear, and which are not subject to any agreement.

On Jan. 31, 1954, the U. S. legally required gold reserves amounted to $11.8 billion, which in the most extreme case would give us a gold deficit of $1.8 billion. Now, about $3 billion will always be used as foreign working capital in America. On the other hand, foreign holdings in American stocks, bonds, and real estate are not taken into consideration. It appears that there is no surplus in gold—we are just covered. The U. S. is nearing the end of its free and usable gold reserves. Therefore, the gold is much better off in Fort Knox, otherwise the same situation would be created as in France where the government has $500 million and the citizens $5 billion in hoarded gold. A return to the gold coin standard can only come after the adjustment, not before.

The Multiplier System

We operate an atomic breeder. At one end, the Treasury end, we feed in $1 billion in gold. In the middle of the pile. The Federal Reserve station, this has augmented to $4 billion (25% coverage). At the other end of the plant, the commercial banking end, the product is increased to a total of $24 billion (6 times). Now, as we find ourselves saddled with a 50¢ dollar, it appears that this multiplier system is far too expansive. The ratio of transmission 1:4:24 is too steep at the far end. As the result shows, we have split our economic atom in half. This mechanism would work in the same way in reverse, for every billion of gold withdrawn, the money supply would contract by $24 billion, which means strong deflationary repercussions—unless the withdrawals are replaced by new inflationary measures—additional assets created from the wrong side of the ledger—debt secured by debt; or reduction of the rate of the Federal Reserve requirements, or both. When the Federal Reserve Act was passed in 1913, that institution was designed as agent for the government. It was not contemplated that use of reserve requirements would become one of the most important factors for managing money. A ceiling should be placed on the amount of government bonds purchasable.

The Status Quo

Currency in circulation is up from $6½ billion in 1935 to $30 billion in 1954. Bank deposits, which are but another form of currency, are up from $65 billion in 1939 to $195 billion in 1954. The Federal, state, and municipal debt, which has multiplied by ten in the last 25 years, can be discounted in this discussion, because it constitutes a first mortgage on all our national wealth. Fading purchasing power, which is working as a capital levy, took $150 billion away from the value of life insurance, savings, and deposits.

Now the private debt. It has increased in the last seven years from $141 billion to $305 billion. Consumer credit, from $5.6 billion in 1945 to $28 billion in 1954. Instalment credit, from $2½ billion in 1945 to $22 billion in 1954. Non-farm mortgage debt, from $18 billion to $60 billion. Accumulated savings total $206 billion, but saver and borrower are in many cases not identical.

Axiomatic Laws

The law of supply and demand can be temporarily circumvented, but the inherent corrective power is lost, and the consequences show up in distortions, either in shortages, or in surpluses. Gresham's Law, that bad money drives out good money is at work. Our business activity is more and more dependent on increasing debt to sustain it. The weight of the debt, far from being a boon, has already become a serious problem. The law of diminishing returns points out that there is a limit to astronomic dimensions of piled up debt. That we are not too far from this limit is indicated by the fact that the over-extension of credit makes it impossible to refinance $700 billion of debt in the same monetary unit they were created in; we transgressed the top of three booms, two wars and a natural postwar demand. No artificial stimulus will have the power to work up against this background — expenditures on such a scale, scope, and cost, would require the outlay of so many billions as to reduce the whole idea *ad absurdum*.

In short, the economic laws are all working slowly but thoroughly; they are axiomatic. It is possible to bend these natural laws temporarily out of shape and adapt them to our purposes, but in the absence of permanent results—real growth, instead of depreciation—it is more prudent to adapt ourselves to these laws. You can make bad money out of good money — the opposite was never achieved without change of the value of the monetary unit.

Therefore, a new basis is essential. In 6,000 years of financial history, gold has never lost a battle. Its price has often been raised, never lowered, and in 2,600 years of the practice of degrading money, every country that resorted to an arbitrary paper currency had inevitably to go back to the Gold Standard. As the French proverb says, "The more it changes, the more it is the same thing." Gold has no mystical properties, it is simply the best all-round yardstick for money purposes and has proven to be the store of value for long centuries. It is an often embarrassing barometer.

The Double Standard

Giving an ounce of gold away at $35 (1954) instead of $35 (1934) is on par with the idea of giving our substance away at $18.55 (1934) an ounce. The difference between the two periods is a shrinkage of 47% in that part of our monetary unit in which we are off the Standard. In the international foreign exchange, or gold bullion market we are not only on the Standard — we are more than on—we are overvalued, because we deliver by agreement and definition in 1954, 1934 dollars, or expressed conversely, a value of $66.15 (1954) can be withdrawn from us at $35 (1954), really a bargain, on which we might be taken up sooner or later. As long as our contract partners were in a financially weak position the danger was negligible; as long as our export surplus existed (excluding military aid) and our best cash crops, wheat, cotton and corn were in strong demand abroad, dollar balances were used for the payment; but the monetary climate has changed.

The Underlying Facts

The world's gold and dollar reserves (excluding Russia) which stood in 1937 at $25 billion gold and $2.1 billion in foreign ex-

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Dealer-Broker Investment Recommendations & Literature

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

Canada 1954—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

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

Industrial Opportunity in Canada — Comprehensive 32 book setting forth information in three parts: economic background of Canada; business organization, formation of companies, Company Acts and the like; taxation of income—Department FC, Head Office, Imperial Bank of Canada, Toronto, Ont., Canada.

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

Japan's Foreign Trade—Discussion in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, 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.

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

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

* * *

Allied Stores Corp.—Analysis in "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a brief analysis of **Western Pacific Railroad Co.** and three sample **Portfolios.**

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

Asbestos Corporation Limited—Analysis—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Bethlehem Steel-Youngstown Sheet & Tube—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Newport Industries.**

Canadian Delhi Petroleum Limited and Trans Canada Pipe Lines Ltd. — Analysis — Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada.

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

Chemical Corn Exchange Bank—Analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Chicago Corporation—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Clay Minerals & Chemicals Corporation of America—Bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Cleveland Cliffs Iron Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Olin Oil & Gas Corporation.**

Commercial Credit Co.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Continental Motors Corporation — Bulletin — Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Filtrol Corporation—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Flying Tiger Line—Bulletin—Stamrowe Trading Company, Inc., 96 Wall Street, New York 5, N. Y.

Goebel Brewing Company—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Hazel Park Racing Association — Report—Capper & Co., 25 Broad Street, New York 4, N. Y.

Hycon Manufacturing Company—Analysis—Standard Investing Corporation, 40 Exchange Place, New York 5, N. Y.

Indiana Steel Products—Memorandum—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

McAllen Texas Independent School District Bonds—Descriptive bulletin—Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Texas. Also available are descriptive circulars on **City of Seadrift, Texas Waterworks and Sewer System Revenue Bonds and City of Seadrift, Texas General Obligation Bonds.**

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

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

F. C. Russell Company—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Southern Union Gas Co.—Memorandum—First Southwest Company, Mercantile Bank Building, Dallas 1, Texas.

Texas Gulf Producing—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a statistical tabulation of **Oil Shares** and a bulletin on **P. R. Mallory, Twentieth Century Fox** and **Marine Midland Corp.**

NSTA Notes

It is most interesting to relate the value of our Convention issue of the FINANCIAL CHRONICLE to industrial corporations. I received a call from W. L. Maxson & Company, requesting a contract for advertising therein, which has now been completed. They informed me that they regarded advertising in our issue most valuable to them. I agreed, naturally, that corporations should use the CHRONICLE as a medium for reaching those interested in the distribution of securities and our dealer members making a market in them, and as a public relations service to stockholders and investors.

Harold B. Smith

I am still hearing from Homer Batement of Pacific Northwest Company, Seattle, and Lewis Jacoby of Thayer, Baker & Co., Philadelphia, but sure would like to run some notes on our other Chairmen. We are approaching the Convention and our deadline, so do try to improve our last year's advertising results.

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

Additional Registration NSTA Convention, Atlantic City, N. J. Including 8/31/54

Name	Firm	City
*Barker, John S.	*Lee Higginson Corporation*	New York
Bateman, Homer J.	*Pacific Northwest Company*	Seattle
*Beattie, Herbert E.	*H. A. Riecke & Co.*	Philadelphia
Brochu, Peter W.	*Allen & Company*	New York
Campbell, Miss Marguerite	*A. C. Wood Jr. & Co.*	Philadelphia
*Cayne, Morton A.	*Grottron, Russell & Co.*	Cleveland
Dawson-Smith, S. Edward	*Cruttenden & Co.*	New York
*Doyle, J. Robert	*Doyle, O'Connor & Co.*	Chicago
*Fraser, James G.	*Stern, Frank, Meyer & Fox*	Los Angeles
Gibbs, Louis A.	*Laird, Bissell & Meeds*	New York
Hough, William R.	*Beil & Hough*	St. Petersburg
*Krensky, Arthur M.	*Arthur M. Krensky & Co.*	Chicago
Krug, Thomas B.	*Bioren & Co.*	Philadelphia
Latshaw, John	*E. F. Hutton & Company*	Kansas City
Leedy, Jr., Loomis C.	*Leedy, Wheeler & Alleman, Inc.*	Orlando
McCullen, William J.	*Hendricks & Eastwood*	Philadelphia
*Monroe, Paul B.	*R. W. Pressprich & Co.*	Boston
*Parker, John E.	*H. A. Riecke & Co.*	Philadelphia
Petty, Herbert	*Equitable Securities Corporation*	Nashville
Remington, Clifford G.	*Woodcock, Hess & Co.*	Philadelphia
*Scattergood, Harold F.	*Boenning & Co.*	Philadelphia
*Simpson, William G.	*Simpson, Emery & Co.*	Pittsburgh
Stephens, Donald B.	*Cruttenden & Co.*	Chicago
Thorsen, Lester J.	*Glore, Forgan & Co.*	Chicago
Weeden, Frank	*Weeden & Co.*	San Francisco
Welch, Edward H.	*Sincere & Co.*	Chicago

*Mr. and Mrs.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Bowling will start Thursday, Sept. 9, 1954, 5:30 to 8 p.m., at the City Hall Bowling Center, 3rd floor. All STANY members and associate members interested, please contact any of the following Captains or Chairman:

"Julie" Bean	"Joe" Donadio
"Walt" Mewing	"Mike" Growney
"Jack" Manson	"Hoy" Meyer
"Artie" Burian	Wilbur Krisam
"Charlie" Kaiser	"Hank" Serlen
Roy Klein	George Leone

There will be a meeting of all Captains at the office of Joseph Faroll & Co., 42 Broadway, Room 1735 at 5 p.m. on Wednesday, Sept. 1, 1954.

SIDNEY JACOBS, Sidney Jacobs & Co.
Chairman of the Bowling Committee.

George Geyer Joins Blair & Co. Inc.

Blair & Co. Incorporated, 44 Wall Street, New York City, has announced the opening of a bank and insurance stock trading department with George Geyer as manager.

George Geyer

Joshua A. Davis, Chairman, and Emmons Bryant, President of Blair, said the new department is being established as the latest step in the firm's expansion of facilities to serve issuers, dealers and investors with a complete investment banking, brokerage and trading organization. Two weeks ago, Blair acquired the Chicago investment firm of Ames, Emerich & Co. Inc. and its five Middle West branches, bringing to 26 the total number of Blair offices. Blair is licensed to do business in 27 states.

Davis and Bryant in a statement said: "We are pleased to be able to announce that our new bank and insurance stock trading department will be headed by Mr. Geyer who has spent practically all of his securities business career as a specialist in such stocks." Blair also conducts a corporate and municipal bond trading department and is the primary market for several bank and industrial stocks. Mr. Davis has supervision over all trading activities, the Blair statement said.

Mr. Geyer was President of Geyer & Co. which discontinued business as of Aug 31. Mr. Geyer issued the following statement: "When Geyer & Co. announced on Aug. 5 that it had suspended trading activities, it had open purchase and sales contracts outstanding in the amount of approximately $5,000,000, represented by 1,423 open contracts with some 300 dealers and institutions. The suspension of business was decided upon to facilitate the settlement of these contracts. At the close of business Aug. 31, all liabilities to both customers and trade creditors had been paid in full. The cooperation our firm received from our customers was most gratifying and helpful."

Stewart, O'Connor With Shelby Cullom Davis

Shelby Cullom Davis & Co., 110 William Street, New York City, members of the New York Stock Exchange and specialists in insurance stocks since 1927, announced that George T. Stewart has joined the firm in an analytical and sales capacity. A graduate of Wesleyan University, Middletown, Conn., he has spent his entire business career in various phases of the insurance business. Starting with the Hartford Accident & Indemnity, he was engaged in claims and underwriting activities. For the past six years he was an analyst for Geyer & Co., Inc.

The firm has also disclosed that William D. O'Connor, publicity director for the Security Traders Association of New York, has been named head of the trading department. Mr. O'Connor has traded insurance stocks for many years—five years with Eastland & Co., Hartford, Conn., and 16 years with Fitzgerald & Co., as manager of the bank and insurance stocks department. He was most recently associated with Geyer & Co.

Role of Investment Banker In Underwriting Securities

By DUDLEY N. SCHOALES*

Partner, Morgan Stanley & Co., New York City

Prominent New York investment banker explains operations involved in investigating and buying of securities by underwriting houses. Points out new trends in financing over past 15 years and lists as steps in buying: (1) going after the business; (2) preliminary investigation; (3) selecting the financing plan; (4) determining stock and bond provisions that are fair for both issuer and purchaser; (5) preparing the legal documents, and, lastly, fixing the price of the securities. Includes among operations involved in "buying of securities" everything connected with bringing a security issue to the market, except syndication and selling.

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

Dudley N. Schoales

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

Compilation of statistics.

Investigation.

Deciding what types of securities are to be issued.

Determination of protective and other provisions of the securities.

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

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

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

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

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

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

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

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

"Getting the Business"

With this introduction, now let us turn to a discussion of investigation and buying. Perhaps the first item to consider should be "Getting the Business."

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

My firm has always felt that management should be free to choose such form of financing, through private placement, competitive bidding or by negotiation with bankers of their own selection, as they feel will best satisfy the need of their particular situation.

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

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

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

Preliminary Investigation

Now let us turn to preliminary investigation.

When the officials of a company come to us and ask our help in raising money for expansion, or refunding purposes, we make a preliminary investigation of the company, of the industry involved, of the company's competitive position in the industry, and of the company's management before we decide that we wish to do financing for them. And—a most important point—we talk with a number of people who know the company and its management to check as to the character and ability of the management and the general standing and reputation of the company in its trade circles.

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

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

Financing Plan

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

We would first discuss with the officers of the company whether the money to be raised should be through sale of debt obligations or through sale of stock, or some combination of the two. If it were decided to sell debt obligations, the next decision to be made must be whether they should be by mortgage bonds secured by a lien on all or part of the company's properties, by collateral trust bonds, by straight debenture obligations, or possibly by convertible debentures; also the length of the debt obligations —i. e. whether they should have a maturity in 10, 20, 30 or whatever number of years or whether they should be in serial maturity form. We would also consider whether or not a sinking fund or purchase fund should be provided to retire all or part of the debt prior to maturity and, if so, how large a sinking fund.

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

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

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

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

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

Prior to World War II, the System had followed the policy of having about one-third of its capital in the form of debt and two-thirds in stock. With the end of the war, the System was faced with a tremendous demand for expanding its services and facilities which instituted raising a vast and unprecedented amount of money in order to finance the expansion program. As it turned out, the capital of the System increased by over $6\frac{1}{2}$ billion in the eight years from Jan. 1, 1946 to Jan. 1, 1954, which is an average increase of approximately $800 million a year. Earnings retained in the business contributed approximately $385 million so that practically all this increase was derived from the sale of securi-

Continued on page 21

*A lecture by Mr. Schoales at the Fourth Annual Forum on Finance for Graduate Students and Instructors in American Colleges and Universities sponsored by the Joint Committee on Education representing The American Securities Business at Graduate School of Business Administration of New York University, New York City, Aug. 23, 1954.

Role of Insurance in Promoting U.S.-Latin American Solidarity

By JOHN A. DIEMAND*
President, Insurance Company of North America
Chairman, Hemispheric Insurance Conference Committee of the United States Chamber of Commerce

Speaking at the Hemispheric Insurance Conference, prominent executive points out few businesses have greater opportunity to promote political and economic solidarity than that of insurance, and few can gain more by it. Says there is urgent need to preserve and promote better Hemispheric insurance relations and to forestall attempts by governments to narrow or confine these relations. Advocates complete exchange of information regarding insurance technicalities, and a careful consideration of diverse political viewpoints. Stresses reciprocal trading of skills and services.

One of our famous North American statesmen said that "Eternal vigilance is the price of liberty." It is equally the price of American solidarity which we American insurers seek to promote.

John A. Diemand

Few businesses other than ours have greater opportunity and ability to pay this price; and few have more to gain than we by its payment.

In the regular conduct of our business we must study and understand all forms of domestic and commercial activity. Unless we do this we cannot know the risks we are to insure, nor estimate the losses we will have to pay when they occur, nor advise our insureds how these risks and losses may be reduced.

From such a study and understanding we have come to know beyond dispute how much we have to gain from conducting our business in a society of free men exercising liberty under law, and how much we and our policyholders have to lose if such a system were to disappear in the West. Variety is not merely the spice of life, as we say in our proverb, it is the prime essential of successful insurance. Without a wide spread of risks in a number of lines, the insurer cannot have the "balanced book of business" which we all strive to write, and without such a broad base of underwriting operations we are as vulnerable to single catastrophes as are those we insure.

Inhibitions of Government Controls

Hence it requires no argument to show the urgent need to preserve and promote our mutual relations in the Hemispheric Insurance Conference, and to forestall any attempts of our respective governments to narrow or confine these relations. Variety and diversity shrink and disappear to the extent that government controls take the place of private plans. Forms become rigidly fixed, investments become limited to low-return government securities, foreign writings dwindle because currency restrictions prevent free transfer of funds. Underwriting strength is sapped by these measures.

Faced with these phenomena which they have created, and hearing the complaints from local insureds, the government planners then place the State in the insurance business. However, without the stimulus of profit which spurs the private underwriter, they content themselves with supplying, not the most but the least coverage that will quiet the demands of the public. In place of full indemnity, limited schedules of specific benefits are provided.

The vicious circle closes with the public reaction that inevitably follows. Unable to obtain protection from the inevitable risks which accompany new ventures, businessmen limit their activities to long tried and narrowly defined fields. Innovations diminish and the standard of living lags behind its expectable rate of progress under free enterprise.

Knowing all this, as we do, what are we in the Hemispheric Insurance Conference to do about these dangers against which we must be ever vigilant? That is the problem we must seek to solve as the Conference progresses.

The solution is not one which can be clearly stated, or even fully sketched, by a single speaker. The problem is one which will require the highest skill and fullest effort of each participant in the seminars and study sessions planned before we adjourn.

Two Lines of Activity

However, the pattern of effort established in past Conferences gives us a sure guide for the present. In general we must work along two lines.

First. Each delegate must contribute fully to the most complete exchange of the latest and best information in connection with the various technical fields of our activities: in the drafting of forms, the computation of rates, and the settlement and prevention of losses. A review of the agenda in this respect is heartening. From the wide geographical spread of the participants listed, and from a knowledge of their high professional skill and broad experience, it is easy to be sure that the success of the Conference will be greatly measured in terms of the contributions to be made to our common knowledge and understanding of the business of insurance **within** each of the nations of our Hemisphere.

In this phase of the Conference's activities we face no anticipated obstacles. As participants in a business affected with a public interest, long accustomed to interchange of technical data without pride of authorship, we of each nation feel no hesitance in outlining to each other the insurance problems faced within our own respective borders and the methods we have found to solve them.

However, when we turn to the problems of insurance and reinsurance crossing the boundaries of our various nations, certain unavoidable inhibitions are found. Nationalism has not completely disappeared from the world, nor is it likely to in our time.

Hence, while we are fellow Americans, and fellow insurers, impelled as such to full cooperation each of us finds his thinking shaped to a greater or less extent by what he considers to be the interests of his own country. Moreover, the interests of no two countries are precisely identical in all details. Nevertheless, difference does not necessarily mean antagonism. Far more often, when differences are analyzed we find they lead to complementary activities, rather than conflicts.

Second. Hence, in the second phase of our activities, in considering how we may best foster favorable **Inter-American** insurance and reinsurance activities, we of this Conference will have to depart from the purely technical phases of our business and give careful thought to the current political viewpoints of each of our countries toward the others, and the general background of current national histories upon which these viewpoints are based.

Again, in this regard, it would be beyond my ability, and would require more time than you have graciously allotted to me, to speak from more than my own experience and limited knowledge of the thinking of my own countrymen. However, if each of us will state thus his own views, we should be able to go far in reaching the lasting accord to which we are pledged.

Message to Latin-American Insurers

Speaking along these lines, it seems to me that on behalf of my fellow insurers and fellow citizens of the United States, there is a threefold message to be given you:

First. More than ever before we realize how great is the hope for peaceful, friendly and profitable living in ties which run to the North and South of us, than in those to the East and West.

Second. Never before have we been more strongly distracted from these North-South ties, than we are now by the threats of Armageddon which rise in the East and West.

Third. Never have we needed more your patient understanding while we work our way through this dilemma of adequately resisting our foes while we properly cultivate and support our friends.

As to the greater net worth of relations to the North and South of us than to the East and West, the facts speak for themselves. However great may be the monetary profit of trade with Europe and the Orient in times of peace, the price in lost lives and mangled bodies of our citizens spent during the two wars in our lifetime is immeasurably greater. Furthermore, so far as Europe and the East are concerned, we are learning the sad lesson that peace is not the condition which exists between wars.

No such toll of human sacrifice is expected from those who engage in Inter-American trade. The countries of our Hemisphere have avoided the use of force on any significant scale in their dealings among themselves for more than a century; nor is there any reasonable grounds for fear that they should do otherwise in the foreseeable future. Never, in fact, has there been greater opportunity for North, Central and South Americans working together to accomplish more for the good of each of their nations, and for the Hemisphere as a whole.

Under the spur of wartime conditions the North Americans have developed enormous capacity for the production of goods, and the supplying of services along a number of lines yet to be equally developed in the rest of the Hemisphere. We need customers to keep this capacity from shrinking and the skills it requires from being lost through misuse.

On the other hand, nowhere in the world is there a greater potential buying public, and a more rapidly expanding one than in Latin America. The population of Latin America now exceeds that of the United States, and is increasing faster than any other area in the world. During the period from 1940-1950 the population of the world increased 8%, while that of Central and South America increased at almost exactly three times that rate, or nearly 24%.

Businessmen in the United States are generally well aware of these facts. They were not uncovered by the speaker in the course of research for the preparation of this address. They are constantly repeated and stressed in trade journals and business publications in our country.

Moreover, our businessmen are growing daily more aware that trade between the United States and other American countries cannot be looked upon as a one-way proposition, in which we merely export our goods and services. To quote at random from a number of similar communications recently crossing my desk from leading American business institutions, "recent explorations and resources surveys have made it abundantly clear that Latin America is potentially one of the world's great storehouses of the basic raw materials of industry."

Reciprocal Trading of Skills and Services

In short, we in the United States have an increasingly keen awareness of how much there is to be gained from reciprocal trading of skills and services for materials between us and our fellow Americans.

Moreover, this awareness has been brought home to and expressed by our government. President Eisenhower has expressed it in his recent appeal to Congress for a more liberal international trade policy, for extension of the Reciprocal Trade Agreements Act, and for authority to revise tariff rates downward. Congress, in addition to considering these appeals likewise has under consideration amendments to the Export-Import Bank legislation which would permit this institution to stimulate our international trade through extension of long-term credits. This leads me to the second phase of my threefold message, a plea that you realize that, however much American businessmen and officials realize the need for promoting North-South relations, the distracting stresses to the East and West are enormously great. It is difficult to pay attention to more than the barest necessities of life at home when flames are raging in the house next door and are threatening to pass beyond control.

Although V-E and V-J Days, so-called, are nearly a decade in the past, the Cold War has never ceased since then. The physical strain on our resources and the nervous strain on our planning have scarcely lessened to this day. Viewed against the mushroom cloud of the Hydrogen bomb, the problems presented in Berlin, in Korea, and in Indo-China, since we feel them to involve the question of actual survival, can understandably be given a high relative priority.

However as we have faced and lived though each of the successive crises to the East and West since World War II ended, we are gradually coming to see that these relative priorities require revision; and that there is no better way of meeting the strains to the East and West than by increasing solidarity and strength from North to South.

Again to quote from recent correspondence with a top executive of a leading U. S. company doing extensive business in the Americas:

"We are convinced that the American way of life can be best maintained and appreciated around the world by helping people to improve their economic conditions. The standard of living in the United States has made urgent to all foreign governments immediate economic progress, if they are to satisfy the demands of their people. Economic discontent and frustrations lead to bitterness and political instability and, sometimes, to the embrace of of the glittering promises of Communism. Helping the people of other countries to make sound and logical plans without helping them to implement such plans—particularly in so far as dollars for imported goods and services are concerned—is, in our opinion, foolhardy and may hasten the day when frustration and despair result in action contrary to our national interests."

Inasmuch as these views are daily becoming more widespread, I come to the third and last phase of the message I feel can be brought to fellow Americans from my country: a plea to keep patience and not to lessen, as I know you will not, your individual efforts to promote Hemispheric solidarity. Each of you, by reason of prominence in our industry, has an influence in the affairs of his country, not shared by many others. Your voices will be heard if they are raised in the halls of your governments.

And I would remind you that to accomplish the aims of our Conference in promoting a broader network of Inter-American insurance and reinsurance relations free from unwarranted governmental interference will require the best combined efforts of us all, and of all our governments, both in the technical and politico-legal fields. Other countries than my own can with profit re-examine and revise their laws and regulations governing international insurance and reinsurance transactions.

Each of you can enumerate as well as the speaker those instances in which the laws of a country either: prohibit the admission of foreign insurers, whether or not financially sound and skillfully staffed; or, permit such insurers to be admitted only on conditions which discriminate against them and in favor of domestic insurers; or which hamper the requisite flexibility of operations by rigid investment requirements or foreign funds control not necessary for the protection of the insuring public. These positive obstacles hamper sound Inter-American Insurance operations as effectively as any supposed disinterest of foreign insurers. The continuance of these obstacles is, in fact, one of the strongest causes for any such disinterest as does, in fact, exist.

*An address by Mr. Diemand at the Hemispheric Insurance Conference, Rio de Janeiro, Aug. 19, 1954. Mr. Diemand is head of the U. S. delegation to the Conference.

George W. Smith Joins Link, Gorman, Peck

(Special to The Financial Chronicle)

CHICAGO, Ill. — George W. Smith has become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. Mr. Smith was formerly with Wm. H. Tegtmeyer & Co. and David A. Noyes & Co. Prior thereto he was an officer of First Securities Company of Chicago.

Jonathan A. Seaman has also become associated with Link, Gorman, Peck & Co. He was previously with Bache & Co.

Paul Grannis With Dempsey-Tegeler & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Paul Grannis has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Grannis was formerly Beverly Hills representative for Selected Investments Company of Chicago and prior thereto was an officer of Douglass & Company.

William J. Thornton has also been added to the firm's staff.

How the Canadian Government Functions

By RIGHT HONORABLE C. D. HOWE*
Canada's Minister of Trade and Commerce

Prominent Canadian Cabinet Member describes Canadian form of government as providing one of the strongest reasons why foreign investors have confidence in Canada. Points out all legislation having to do with taxation and government spending in Canada must be sponsored by the Cabinet, and this is valuable check on irresponsible legislation. Extols the principle of cabinet solidarity, but admits Canadian government can work well only under a two-party system and strict party discipline. Holds there are no fundamental differences in principles of the main Canadian political parties.

Having accepted an invitation to speak in the United States, the difficulty is to decide on a subject. Obviously you expect me to speak about Canada, otherwise you would not have invited me. Three familiar topics suggest themselves. The first is Canada's economic growth. I myself have developed this topic on several occasions. It makes a fine speech and is easy to prepare, which is an important consideration in these busy days. The second is Canadian-American relations—the 3,000 miles of undefended border, the century of peacful relations, and so forth. This provides an opportunity for rounded phrases and high flown oratory — borrowed, if necessary, from one's own previous speeches, or someone else's.


C. D. Howe

The third subject that Canadians frequently talk about when they find a captive audience of American businessmen before them is trade. Because of recent developments in trade relations between Canada and the United States, about which we are very unhappy, I almost succumbed to the temptation to devote my remarks to that subject.

But in spite of the temptation to follow the usual pattern, I have decided to tell you something about the manner in which the Canadian Government functions. I have chosen this subject because I know that many of you have investments in Canada, and that others are looking with ever-growing interest across the northern boundary. It has been my experience that few residents of the United States understand the Canadian form of government. It seems to me that relations between our two countries can be improved by a better mutual understanding of each other's institutions.

Let me begin on a personal note by explaining my position in the Government of Canada. I have been introduced as the Minister of Trade and Commerce and Minister of Defense Production for Canada. Most of you are saying to yourselves this fellow Howe is a sort of combination of Secretary of Commerce Weeks and Secretary of Defense Wilson. It is a flattering idea, but hardly an accurate description of my position. First and foremost, I am a member of the Canadian Parliament. I could not hold my present job unless I had contested a Federal election and thus won my seat in the House of Commons.

I contested my first election in 1935. I had been an industrial engineer and had never given much thought to politics until the depression of the early '30's, when I became quite indignant about the manner in which the Conservative Party was administering our affairs. The Leader of the Liberal Party invited me to contest the electoral district of Port Arthur, Ontario, where I made my home at the time, and I decided to do so. Somewhat to my surprise, I won the election and thus entered the House of Commons as a supporter of the Liberal Party.

I should perhaps explain that the two major political parties in Canada are the Liberals and the Conservatives. There are, in addition, two small groups, the CCF Party, which is socialist in its philosophy, and the Social Credit Party, which professes unorthodox views on money and banking.

When the 1935 election results were in, the Liberal Party had won a majority of the seats in the House of Commons. In accordance with tradition, the Conservative Prime Minister then tendered his resignation to the Governor General, and advised the latter to call on Mr. Mackenzie King, tne leader oi the Liberal Party, to form a government.

The Governor General then sent for Mr. King, asked him to be Prime Minister and to recommend his other Ministers. Mr. King included my name as his Minister of Transport.

You will see from this personal history that I am first and foremost a politician, an elected member of Parliament. The people of my constituency do not vote for me as a member of the Cabinet, but rather as their representative from Port Arthur. I am appointed a member of the Cabinet by the Governor General, on the recommendation of the Prime Minister. Should the Liberal Party not have a majority in Parliament, I would still be a Member of Parliament, but not a member of the Cabinet.

Even the Prime Minister is elected as a Member of Parliament by the voters of his own electoral district. He is chosen Leader of his Party at a Party Convention, and the fact that he is known to be the Leader of the Party has an impact on voting in every constituency, even though his name does not appear on the ballot papers outside his own electoral district. Should he die or retire during his term of office, his successor as Prime Minister would be chosen by a Liberal Convention, rather than by popular vote.

Thus you will see that under our system the Prime Minister and other Members of the Cabinet are also Members of the House of Commons. The Prime Minister is also the Government leader in the House of Commons. Members of the Cabinet announce their policies in the House of Commons and defend their actions there in person. An interesting feature of every session is the half hour of questioning, when a private member has the privilege of questioning a Member of the Government on any subject about which he desires information. An ability to answer questions promptly adds to the reputation and standing of the Cabinet Minister with Members of the House of Commons.

Here in the United States your system of government is founded on the principle of the separation of powers. Your President and his Cabinet are separate from the legislature, and both are quite separate from the judiciary. You will have observed from my remarks that in Canada the executive and legislative functions of government are not separated. Indeed it is the very essence of our system that the executive is drawn from members of the legislature and depends for its very life upon the support of the legislative branch of our government.

This is the heart of the difference between the Canadian and the American systems of government. The President of the United States is elected by the people at large every four years. He remains President for that four-year period, regardless of the support he received in the House of Representatives or the Senate.

In Canada, elections for the House of Commons must be held at least every five years, but they may be held whenever the Prime Minister may advise the Governor General to call an election. No Prime Minister can remain in power in Canada if his Government loses the support of the majority of the Members of the House of Commons. In practice, this means that if the Prime Minister cannot carry an important piece of legislation, he must resign and advise the Governor General to call an election to test public opinion. Should the election result in a majority for one of the Opposition Parties, the Leader of that Party would then become Prime Minister with a Cabinet appointed by himself. It would be impossible for the Prime Minister to be a Liberal and the majority of the Members of the House of Commons to be Conservatives.

I will touch lightly on two important elements of the Canadian Government—one is the office of the Governor General and the other the Senate of Canada. The Governor General carries out the functions of the British reigning monarch and is appointed by the monarch, usually after consultation with the Prime Minister of Canada. Like the British Monarch, his official acts are carried out with the advice of the Prime Minister of Canada, and his powers of independent decision are very limited.

The Senate of Canada has the power to amend legislation, except legislation having to do with taxation or appropriations. The Senate also has a limited power to veto Bills that are not money Bills, although this power is seldom exercised. Appointments to the Senate are made by the Prime Minister and tenure of office is for life.

Legislation Regarding St. Lawrence Seaway

Now what does all this mean in terms of the transaction of public business? Let me illustrate by reference to the legislation creating the authority that will build the St. Lawrence Seaway, either alone or jointly with the United States. This Bill was approved by the Cabinet and introduced in the House of Commons by the Minister of Transport. The Minister spoke in support of the Bill from his seat in the House of Commons and replied to criticisms. The Bill was read three times as required by statute and approved by the House of Commons. It then went to the Senate, where it was again read three times and approved. Finally, it was signed by the Governor General and became law.

You will observe that this Bill had the full support of the Cabinet. If it had failed to pass the House of Commons, the Cabinet would have resigned, since rejection would have meant that the Prime Minister and the Cabinet no longer enjoyed the confidence of the majority of the House of Commons which controls the purse strings. In other words, when the House of Commons fails to support the Cabinet on an important issue, the Government has no alternative but to resign and recommend an election so that the people themselves can decide the issue. In fact, the present Cabinet which is composed of members of Parliament who are also members of the Liberal Party, knew that other Liberal members would support the Bill. They could therefore proceed with confidence. That is why it is impossible for a situation to arise in Canada where the elected members of the legislation go on refusing to accept proposals put forward by the Cabinet. On the other hand, the executive in Canada is never forced to agree to legislation, or to administer legislation, that it does not support.

I might add that this is also part of the explanation of why Canadian politics seem more subdued, even dull, when compared with American politics. The executive is seldom fighting openly with the majority of the legislature. The Prime Minister is never called upon to appeal to the people to support his idea, in order to mobilize support in the legislature, except in time of a general election. He does his work in Cabinet and among the members of his party in Parliament, quietly and without publicity.

Of course, the opposition members of Parliament criticize the government. That is their function. The opposition keeps the government alert and on its toes. Often the debates are exciting and vigorous, and yet on the whole, even the opposition remains reasonably responsible. It knows that one day it may form the government and may be called upon to implement its promises, and the leader of the opposition party in the House of Commons may become the Prime Minister. Indeed, the leader of the principal opposition party is officially known as the Leader of Her Majesty's Loyal Opposition and receives the salary of a Cabinet Minister, in order that he may carry out his duty of criticizing and opposing the government.

Taxing and Spending in Canada

Another interesting illustration of how the Canadian Government system works is to be found in the fields of taxing and spending. All bills having to do with the spending of money, or with taxation, must be sponsored by the Cabinet. A private member of Parliament cannot introduce a bill which would involve a charge on the public treasury. Such bills can only be introduced by Cabinet Ministers with the express recommendation of the Cabinet. This is a valuable check on irresponsible legislation, for it means that those who propose spending money must also be prepared to raise the necessary money by recommending taxes or borrowing measures.

When I return to Ottawa, I shall be defending the appropriations of my Departments of Government. This means that I shall be asking Parliament to vote enough money for the Departments of Trade and Commerce and Defense Production to carry on their functions during the present fiscal year. In many respects, the discussion of the appropriations is the most important function of Parliament. Those who are familiar with English history may remember that it was through the control of the expenditure of public monies that Parliament curbed the powers of autocratic monarchs. Well, in a sense, that goes on every year in the Canadian Parliament. Every member of Parliament has an opportunity to cross-examine the members of the Cabinet on any question relating to their administration before agreeing to vote money for the next year.

The House of Commons may decide to reduce expenditures proposed by the Cabinet, but increases cannot be made unless they are approved in advance by the Cabinet. When my appropriations are under consideration, I do not have to worry about the possibility that private members may try to force me to spend more money on one of their pet projects. Such a motion would be ruled out of order by the Speaker of the House before it could be discussed.

You will gather from this description of our machinery of government that "lobbying," and I do not use the word in any derogatory sense, is a somewhat different matter in Ottawa than in Washington. When individual Canadian citizens want something done by the government or by Parliament, which involves the expenditure of public money, they approach the appropriate member of the Cabinet either directly or through their local member of Parliament. For example, if agricultural interests want floor prices for their products, or if manufacturers want a change in the tariff, they make their representations

Continued on page 28

*An address by Mr. Howe before the Manufacturing Chemists' Association, White Sulphur Springs, Va.

Mutual Savings Banks Deposits Now Over $25½ Billion

However, increase, in 4 months ending with July is at lower rate than year ago. Holdings of mortgages by savings banks on July 31 approximate $14 billions.

Total deposits in the 527 mutual savings banks of the nation gained $96,000,000 during July, to reach a new record figure of $25,534,000,000, according to J. Hamilton Cheston, President, National Association of Mutual Savings Banks, and President, The Philadelphia Saving Fund Society. The increase was 13% less than the July, 1953 gain of $111,000,000. Despite the fact that July was the fourth month this year in which increases were less than in the corresponding month of 1953, over the first seven months of 1954 deposit gains of $1,147,000,000 were 2% greater than a year ago.

The slackening in the rate of deposit gains in July reflects the fact the withdrawals from regular accounts were up 4% whereas amounts deposited in such accounts were 8% above those for July 1953. To date this year, net new money received from depositors—the excess of amounts deposited over withdrawals—was 9% less than in the first seven months of 1953, but the decline was more than offset by an increase of 28% in the amount of interest-dividends paid depositors.

Mortgages continued to occupy the attention of mutual savings banks during July. The institutions increased their holdings of mortgage loans by $172,000,000, the greatest gain for that month since 1947, to bring holdings on July 31, 1954 to $13,901,000,000, or 48.8% of assets. The banks also placed $69,000,000 in corporate and municipal securities, while reducing U. S. governments by $95,000,000 and cash by $13,000,000.

With Merrill Lynch

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Donald J. Reilly is with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Frank Edenfield Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Henry H. Tompkins has joined the staff of Frank Edenfield & Co., 8340 Northeast Second Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Interest of investors in insurance stocks for the past several weeks has been focused on the semi-annual operating statements which have been published.

A few of the major institutions have not as yet released their figures. However, based upon the results that are now available, a fair idea can be formulated as to the experience and operations of the first half of this year for the industry.

The trend of premium volume among the large multiple line companies continued upward. In only a few instances where special problems were encountered was a decline reported. The gains in most cases were modest, generally below 5%.

The most favorable aspect of the reports, however, was the trend of losses. In spite of the fact the fire losses have been continuing upward, and rates have been reduced in a number of states, the loss ratio was in most cases favorable. The major improvement in the loss experience, however, was in the extended coverage field.

The windstorms which swept through sections of the middle west and northeast in the spring of 1953 caused losses running into hundreds of millions of dollars. As against an historical experience of around $16 million annually, the losses of 1953 were indeed unusual. In the first half of 1954, the extended coverage experience reflected the fact that there were no major windstorms and losses from this line was generally nominal.

In the casualty field, and especially in the automobile lines, underwriting results continued to show improvement. Experience in the other insurance fields showed only minor changes with gains tending to offset losses.

The net result was that most of the fire and casualty companies were able to show good improvement in their underwriting experience. There was however, considerable variation in the results of different companies, depending upon the emphasis in type of business written and experience each had in the storms of early 1953.

At the same time investment earnings as compared with a year ago were substantially higher. Increased dividends from holdings of stocks, combined with a larger volume of invested assets resulting from retained earnings and increased premium volume, helped to enlarge the investment income. Gains in this segment of the business varied from about 5% to 10%.

Because of the gains in underwriting and investment earnings, Federal taxes were substantially higher absorbing a large portion of the improvement in underwriting. Even so, final earnings for the first six months for most of the major companies showed substantial gains.

For example, Firemen's Insurance Company of New Jersey reported net income of $3,627,999 for the first half of 1954 as against $1,731,589 for the comparable period of last year. Underwriting accounted for most of this improvement where the gain this year was $2,223,154 as against $348,967 in the initial six months of 1953. Federal income taxes were substantially higher reflecting this improvement, amounting to $1,538,991 in 1954 as compared to $360,600 in the earlier period.

National Union Fire Insurance Company showed similar trends in the same period. The underwriting gain for the first six months amounted to $785,977 as against $216,216 in the first half of 1953. Investment income gained to $853,104 from $755,712 last year. Federal income taxes were almost double amounting to $565,000 in 1954 as compared with $274,000 in 1954. The final result was net income of $1,155,448 in the first half of the current period as compared with $718,143 in 1953.

Fire Association of Philadelphia also showed an improvement in operations for the first half. A small gain in premium volume and only slightly higher losses premitted the company to report a statutory underwriting profit of $289,030 as compared with $155,992 in the corresponding period of 1952. Investment income in the first six months gained from $1,031,839 in 1953 to $1,185,696. Federal income tax accruals were of course higher, totaling $406,805 as against $298,232 in the first six months of 1953. The result was that final net income for the period increased to $1,049,914 from $898,213 in the comparable period of a year ago.

The trends discussed above and those apparent in the figures of the foregoing companies were the dominant influences on operating results of the major institutions in the first half year.

Because of the recent storm which swept the Atlantic Coast from New York to Maine, operating results for the final six months are in doubt. It will take time to assess the damage and establish final losses. As in previous catastrophies of this type the losses will not fall evenly and some companies may have a better experience than others. The size of the storm, however, will have a pronounced influence on operating results of the five companies during the balance of the year.

Railroad Securities

Western Pacific's Proposed Refunding Plan

Now that the new tax law has been passed and signed, after removal of some of the punative provisions of the original House version, it is expected that a number of railroads will get going on their proposed recapitalization plans designed to substitute income bonds for preferred issues now outstanding. One reason for pushing such proposals is the potential savings in Federal income taxes. Income bond interest is deductible before arriving at income subject to Federal income taxes while preferred stock dividends are not. This has imposed an unreasonable burden on those roads where claims of old bond holders were satisfied in new preferreds in reorganization. It is notable that this inequity was an important factor in the ultimate decision in setting up the new Missouri Pacific reorganization. The two roads that are apparently all set with exchange offers, and which are expected to move shortly, are Chicago & Eastern Illinois and Western Pacific.

The Western Pacific plan of exchange will have a dual purpose. If successfully consummated it will not only reduce the income tax burden, but, also, it will eliminate the participation feature of the persent preferred. As it now stands the stock is entitled to a preferential dividend of $$5 and partcipates equally, share-for-share, in any dividends paid on the common stock in excess of $3 in any one year. It is generally considered in financial quarters that it is this provision that has prevented the directors paying more than $3 on the common in any year since reorganization regardless of high earnings in many years. Last year, for instance, straight reported earnings of $11.64 a share on the common were cut to $8.46 a share after allowing for the participating feature of the preferred.

The full details of the proposed Western Pacific exchange plan have not as yet been announced. It is known that holders of the preferred will be offered par-for-par in new 5% income bonds, and a fractional share of common for each share of preferred stock held. The exact amount of the common stock bonus has not been determined. Also, the entire amount of preferred is not to be exchanged. There are now outstanding 308,211 shares of preferred. Of these it is proposed that 225,000 shares will be exchanged for $22,500,000 of income 5s and the remaining 83,211 shares ($8,321,100 par value) will be called for redemption. The stock is callable at par plus accrued dividends. The direct saving involved in this proposed operation, reflecting the tax saving and the reduction in the amount outstanding but not figuring elimination of the participating feature, would come to $739,906, or $1.40 a share on the common stock now outstanding.

There are now outstanding 528,899 shares of common and this will be increased an undisclosed amount under the exchange plan. When the plan was first discussed many months ago it was understood that each preferred share exchanged for income bonds would also receive one/fifth of a share of common as an incentive bonus. If this is followed through, it would involve an increase in the common outstanding to 573,899 shares. As stated above, earnings on the common stock last year, after allowing for the participating feature, came to $8.46. If the exchange plan as outlined is consummated this would be increased on a pro-forma basis to $12.47 a share on the increased number of shares to be outstanding. Obviously, then, the plan has highly favorable implications for the junior equity. Meantime, of course, the company has been hard hit by the combination of cessation of hostilities in Korea and the drop in general business during the past year. Net for the first six months was off more than 50% and common share earnings dropped from $5.70 to $2.07. However, comparisons from here on should be considerably more favorable and earnings of at least double the present $3 dividend rate are estimated for the full year 1954.

Purchasing Agents See August Pickup in Business Better Than Year Ago

Business Survey Committee of the National Association of Purchasing Agents finds that production pick-up and new-order increase at this season is substantially larger than year ago, but there is still no indication of a strong upsurge of industrial business.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Comany, New Haven, Conn., indicates that despite the normal Summer slump in July and August, industrial business has fairly well maintained the mild advances made in the second quarter. Production, because of plant vacations and strikes, dropped a bit, while orders held very close to the improved pattern established in the Spring. Of particular interest is the comparison of this August, 1954, survey with that of August, 1953, when it was reported that the usual August pick-up was disappointing and the Fall and Winter upswing might be a slow starter. This year, a production pickup and new-order increase are reported by a substantially larger number of the committee. The increases are not large; do not indicate a strong upsurge of industrial business. They do confirm the trend toward gradual improvement that has been shown in the reports since last March.

Robert C. Swanton

Adding to this comparative of the recessionary trend of August, 1953, is the strength currently reported in the industrial materials price structure, an improved inventory position, a slight stretch in buying policy, and the strong construction activity found in all areas. The only dark cloud is the rash of strikes.

With few exceptions, purchasing executives look for better business through the balance of the year—no boom, but no bust.

Commodity Prices

Industrial materials prices in August show a marked trend to firm or advance. One-third (the highest number since June of 1953), record higher quotations. Steel and aluminum were in the van of this movement, following wage increases. However, the burden of comment is that, so far, these small increases have been slow to move into fabricated items, where stiff competition has a strong restraining influence. Currently, the general tone of the markets has more strength than has been reported in many months.

Inventories

Purchased material inventories continue to decline, but at a slower pace than the average of the first six months. Some members doubt inventories will materially increase with the generally anticipated improvement in activity for the balance of the year. Short procurement time and ready availability are expected to keep inventories on the low side.

Employment

Were it not for the spate of strikes both large and small, August would show a slight increase in pay roll additions. There are scattered reports of increased work time and call-backs of lay-offs. Very active construction work has absorbed some of the industrial unemployed this Summer.

Buying Policy

Buying policy remains predominantly 60 days and under. However, there has been a slight movement into the high side of that bracket; also, into the 90-day and over columns. Reduced inventories, price strength, and increased production schedules account for this moderately longer view of future coverage.

Russell Haff Joins Joseph, Mellen, Miller

Russell A. Haff has been appointed Manager of the municipal bond department of the Cleveland firm of Joseph, Mellen & Miller, Inc., with offices at 25 Broad Street, New York City. Mr. Haff was formerly in the municpal securities department of the New York office of the Marine Trust Company of Western New York.

Jerry B. Vaden With Carolina Securities

(Special to The Financial Chronicle)

RALEIGH, N. C. — Jerry B. Vaden has become associated with Carolina Securities Corporation, Insurance Building. Mr. Vaden in the past was an officer of Griffin & Vaden, Inc., and was with Kirchofer & Arnold, Inc.

With Francis I. Du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Laurence Casselman III has become affiliated with Francis I. du Pont & Co., 677 South Figueroa Street. Mr. Casselman was previously with Dempsey-Tegeler & Co. and Fairman & Co.

With Investors Realty

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Mrs. E. E. Parker has joined the staff of Investors Realty Fund, Inc. Mrs. Parker in the past was with H. R. Baker & Co.

Norfolk & Western Railway An Investment Grade Common Stock

By HUBERT F. ATWATER

Gammack & Co., New York City

Members New York Stock Exchange

Mr. Atwater describes a railroad that handles around 10% of the nation's bituminous production, that has paid dividends on its common stock for 53 years, that has invested over $200 million in capital improvements within the last decade, and has issued no bonds or equipment certificates since 1926.

The story of Virginia is the story of Tobacco. The story of the Norfolk & Western Railway is the story of Coal. The two commodities have contributed most importantly to the development of the Commonwealth; but in the history of Norfolk & Western the dependence on coal is paramount.

Hubert F. Atwater

In all sober conscience this must be so, since the railroad was pushed westward (1881-3) to reach new coal lands its efforts have been devoted to bringing large quantities of the best coal to market with the least cost. The coal lands served by the Norfolk & Western are situated in Virginia, West Virginia and Kentucky, in an area about midway between Norfolk and Cincinnati. This element of location is of particular advantage to the railroad.

The production and use of bituminous coal, our greatest single source of power, has had wide fluctuations over the years but the production of bituminous has formed a pattern that reflects quite accurately the course of business in any period. The Index of Industrial Production and the record of Steel Operating Capacity will seldom show a great variance from the course of bituminous production.

Some 150 tipple mines, each representing a large investment in equipment, are located on Norfolk & Western lines. Their production includes a high percentage of low volatile coal which commands a sales advantage.

National production of bituminous coal was 451,559,000 tons in 1953 and may not exceed 375,000,000 tons in 1954. In the first seven months production is down 18.9% whereas in the Pocohontas region is is down 16.6%. For the Norfolk & Western coal production is off 13.4% but the production of low volatile coal is off only 9.1%. Norfolk & Western continues to handle from 9 to 10% of the bituminous production of the United States.

The electric generating capacity is expanding steadily and about one-half the power is produced from bituminous coal. The recently authorized expenditures by the Atomic Energy Commission in Ohio alone, are estimated to add 7½ million tons to the annual demand. Once the consumption of bituminous coal reached 630 million tons in a single year and it has been estimated that annual consumption will reach 800 million tons in 20 years.

To aid in the consumption of coal from mines in Norfolk & Western territory the railroad has established several coal bureaus in off-line locations.

Efficiency and maintenance of high standards have long been characteristic of the Norfolk & Western Railway.

Its main line is now laid with rails of not less than 130 pounds per yard.

In the years 1945 through 1953 the Norfolk & Western has invested over $200 million in capital improvements, without borrowing.

At the outbreak of war in Europe in 1939 the Norfolk & Western was in good physical condition and had plenty of power on hand. It has never had to buy diesels, either because of shortage of power or lightweight bridges. At the end of 1953 Norfolk & Western owned 444 steam locomotives of which 209 were built since 1940. It has long been the custom to build locomotives and cars in the Norfolk & Western shops. Last year 15 locomotives were built and twice as many retired.

Careful supervision has resulted in Norfolk & Western having unusual efficiency as the following factors from the 1953 report will show:

71,991 Gross ton miles per freight train hour, up 17.7% since 1946. Higher than any railroad of equal or greater mileage.

30.42% of gross revenue was absorbed in conducting transportation, among the lowest of the class 1 railroads.

14.81% of gross revenue brought down to net compared with the class 1 average of 8.17 or 5.17 for the Eastern District.

$11,700.00 Revenue from hire of equipment due to the ownership of 58,083 freight cars and the fact that so high a portion of traffic originates on line for off line delivery.

Intensive effort is made to increase the amount of commodities carried, other than coal and in the last five years while coal traffic increased from 39.1 million tons to 45.4 million tons, all other commodities increased from 15.5 to 18.2 million tons.

In 1953 revenue received from handling the products of mines was 63.50% of the total and manufacturers and miscellaneous 25.74%.

Few corporations have an unbroken record of dividends for 50 years, but Norfolk & Western has paid dividends on its common stock every year from 1901, i.e. 53 years.

Few major corporations make effective plans to eliminate funded debt. Norfolk & Western has two non-callable 4% direct mortgage issues due 1989 and 1996 issued in 1889 and 1896 respectively, for which a sinking fund was voluntarily created in 1937. At the end of 1952 the monthly appropriations were discontinued because the estimated income on the securities held in the sinking fund, when added to principal, would be sufficient to retire the funded debt at maturity.

Few corporations have the ability to carry on expansion of facilities or make major improvements except as they are able to borrow; Norfolk & Western Railway has borrowed no money from the public since 1913 when the stockholders subscribed to an issue of convertible bonds, most of which were later converted.

Equipment purchases have caused many railroads to borrow large sums since 1946 but Norfolk & Western has created no equipment debt since 1926.

This is the background and recent history of Norfolk & Western. It is impressive and denotes strength.

At 41½ Norfolk & Western yields 8.40% on a $3.50 dividend that has been paid each year since 1949.

Hudgins, Smith With Fewel & Co., L. A.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Herbert C. Hudgins and John C. Smith have become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Hudgins was formerly Vice-President of R. E. Evans & Co. of San Diego with which Mr. Smith was also associated.

Chicago Mun. Bd. Club Informal Breakfast

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold an informal breakfast, Thursday, September 9, 8:30 to 11 a.m., for out-of-town visitors attending the Club's outing and Chicago members wishing to visit with their friends. Hosts at the breakfast, which will be held at Welty's Restaurant, 135 South La Salle Street, will be Hal Spink, A. C. Allyn and Company, Incorporated, and Joseph Condon, McDougal and Condon, Inc.

Kugel, Stone & Co. In New Location

Kugel, Stone & Co., Incorporated, announces the removal of its office effective Aug. 30, 1954, to 30 Broad Street, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Board of Directors of **The National City Bank of New York** has called a Special Meeting of Shareholders for Sept. 20, 1954 to take action on a proposal, recommended by the Board, to increase the capital funds of the Bank by the sale of 2,500,000 additional shares of its capital stock (the registered holders of which shares are to be entitled to proportionate beneficial interests in the capital stock of **City Bank Farmers Trust Company, New York**, on the same basis as all other shareholders of the Bank). Under this proposal, the 2,500,000 additional shares would be offered at $52.50 per share to all shareholders pro rata on the basis of one new share for each three shares held of record as of 3 p.m. (EDST) on Sept. 24, 1954.

Fifty years of service with **National City Bank of New York** was marked for Victor F. Schroeter, Assistant Cashier, at a luncheon tendered him by senior officials of the organization.

Mr. Schroeter started with the Bank as a boy of 14 and was assigned as a page in the Foreign Department, when the Bank's Head Office was at 52 Wall Street, across the Street from where it is today. Women employees were a rarity, according to Mr. Schroeter and those few were employed as secretaries, although male secretaries outnumbered the femal stenos in 1904. The Foreign Department had one telephone, the wall type, with hand generator to ring the operator and it was housed in a special booth. Carbon paper was unknown and at the end of the day the office boy placed the correspondence in a large book, between damp sheets and then turned a wheel on the copying press and compressed the sheets and copies came from the special indelible ink used by the typist. Then the page boy gathered all the correspondence, placed it in alphabetical order and filed it.

Later, Mr. Schroeter was assigned to the Auditing Department, continuing there until he entered Army service in 1918. When he returned, Mr. Schroeter entered City Bank's Foreign Branch Inspection division and covered South American branches. From 1921 to 1923 he served in Cuba and then was transferred to Caracas, Venezuela as Pro-Manager. In 1928 he returned to the Caribbean Loan Section of the Bank's Credit Department at Head Office, now moved to 55 Wall Street, its present location. On April 14, 1931 he was appointed Assistant Cashier in the Caribbean District where he has since served.

Mr. Schoreter was elected Treasurer of the City Bank Club, Head Office, in 1910, and also served as Editor of "Number Eight," The National City organization employees' monthly magagine, for a time prior to 1921.

* * *

Directors of **Chemical Bank & Trust Company, New York**, and of **Corn Exchange Bank Trust Company, New York**, have unanimously approved a plan to merger of their institutions, it was announced on Aug. 26 by N. Baxter Jackson and Dunham B. Sherer, respective Chairmen.

The plan, which provides for an exchange of two shares of Chemical Bank stock for one share of Corn Exchange, will be submitted to stockholders as soon as all legal requirements have been met, and special meetings are scheduled for Oct. 14 to vote upon the proposal.

In their joint statement the two chairmen said, "No two banks could supplement each other more than Chemical and Corn Exchange. For over a century both institutions have been identified closely with the industrial growth of the country and with the development of Greater New York. The combination of their resources and highly experienced staffs under the name of Chemical Corn Exchange Bank, will provide even more extensive facilities for every banking requirement."

The merged bank will have deposits of approximately $2,500,000,000 capital funds of $190,000,000 and a branch office system with 98 strategic locations, serving almost every neighborhood throughout New York's five boroughs.

* * *

George H. Reeves, Second Vice-President of the **Chase National Bank of New York**, died suddenly on Aug. 30, at the summer home on Lake Ontario, of a former associate, Arthur M. DeBebian, a retired officer of the Chase. Mr. Reeves, who resided at Great Neck, N. Y., was 59 years old.

Widely known in Wall Street bond and investment circles, Mr. Reeves joined the bond department of the **Equitable Trust Company, N. Y.**, in 1916. For 38 years he had specialized in bond work as an officer of the Equitable Corporation, the Chase Securities Coropration, Chase Harris Forbes Corporation, and since 1933, the Chase National Bank. He was promoted to Second Vice-President in 1940.

* * *

William C. MacMillen, Jr., President of Chesapeake Industries, Inc. and Arthur S. Kleeman, President of **Colonial Trust Co., New York**, announced on Aug. 31 that discussions are presently being held, looking toward an exchange of shares between Chesapeake Industries and the stockholders of Colonial Trust Co. and four other companies of which Mr. Kleeman is also President.

As part of the overall program, Messrs. MacMillen and Kleeman further stated that it is contemplated that the capital of Colonial Trust Co. will be increased, thus making possible the broadening of its domestic and international activities, and that the management of the Bank will remain unchanged.

Details of the exchange have not yet been finally worked out, but current discussions with respect thereto are being held with the staff of the Securities & Exchange Commission.

* * *

The appointment of John C. Colwell, John H. Harms, William A. Moran and Max Reutlinger, Jr. as Assistant Secretaries at **Manufacturers Trust Company of New York**, was announced on Sept. 2. Mr. Colwell has been associated with Manufacturers Trust since 1945. He is assigned to the Personal Loan Department, 67 Broad Street, New York City. Mr. Harms joined Manufacturers Trust in 1941. He is assigned to the bank's 23rd Street Office. Mr. Moran, who is assigned to the Accounts Receivable Department at the Brooklyn Trust Office, became associated with the bank in July, 1945. Mr. Reutlinger has been with the Manufacturers Trust since 1931. He is Officer-in-Charge of the bank's Bushwick Office, Brooklyn.

* * *

Mr. Ralph T. Tyner, Jr., President of **The Westchester Bank & Trust Company, New Rochelle, N. Y.**, announces the appointment of its new business executive, James R. Hand, Vice-President, who will join the bank on Oct. 1.

Mr. Hand will resign his position as Executive Secretary, Savings Bank Life Insurance Council in New York, to take up his duties with the trust company.

* * *

The First Bank & Trust Company of Utica, N. Y., on Sept. 1 became a Marine Midland bank through completion of the acquisition of a major interest by **Marine Midland Corporation**. Bayard F. Pope, Chairman of the Board of Marine Midland Corporation, stated this purchase increases the amount of the bank's common stock from 215,000 shares to 2,150,000 shares, of which Marine Midland purchased the additional 1,935,000 shares for $5,500,000. First Bank & Trust Company paid $6,000,000 to the Reconstruction Finance Corporation and retired the 940,000 shares of preferred stock of the bank held by the RFC.

With the addition of the First Bank & Trust Company of Utica which operates three offices, there are now 10 Marine Midland banks which operate 130 offices in 62 communities in New York State. The combined deposits of these banks now exceed $1,400,000,000.

In commenting on the acquisition of the Utica bank by Marine Midland, Charles H. Diefendorf, President of Marine Midland Corporation, said:

"We are indeed happy to welcome the First Bank & Trust Company of Utica to the Marine Midland group of banks. Founded in 1812, it is now the oldest of the Marine Midland banks whose average age is over 100 years. The bank will continue to be managed by its present officers and directors.

Theodore Rokahr, President of the First Bank & Trust Company of Utica, pointed out that with the additional capital furnished by Marine Midland Corporation the aggregate capital, surplus and undivided profits now approximate $4,250,000. Deposits of the bank are in excess of $60,000,000.

A previous item on the acquisition appeared in the Aug. 26 issue of the "Chronicle" page 789.

* * *

Howard S. Merrill, Director and Vice-President, of the **Brattleboro Trust Company, Bratteboro, Vt.**, died suddenly on Aug. 23.

* * *

A certificate was issued Aug. 13, by the Office of the Comptroller of the Currency, approving and making effective, as of the close of business Aug. 14, 1954, the consolidation of **The First-Knox National Bank of Mount Vernon, Mount Vernon, Ohio**, with common stock of $375,000, and **The Dan Struble & Son Bank, Fredericktown, Ohio**, with common stock of $75,000. The consolidation was effected under the charter and title of "The First-Knox National Bank of Mount Vernon."

At the effective date of consolidation the consolidated bank had capital stock of $450,000, divided into 9,000 shares of common stock of the par value of $50 each; surplus of $450,000; and undivided profits of not less than $440,185.79.

* * *

The American National Bank and Trust Company of Chicago, Ill., increased its common capital stock from $4,000,000 to $5,000,000 by a stock dividend effective Aug. 20.

* * *

The Office of the Comptroller of the Currency issued on Aug. 19 a charter to the **Citizens National**

Continued on page 28

Eisenhower Upholds a More Liberal Foreign Economic Policy

In correspondence with Harry A. Bullis, he says it is an imperative necessity to build stronger economic relations between ourselves and the free world.

The temporary White House at Denver, Colo., on Aug. 26 released correspondence, concerned chiefly with the field of foreign economic policy, between Harry A. Bullis, Chairman of the Board of General Mills, Inc., and President Eisenhower.

Pres. Eisenhower Harry A. Bullis

Mr. Bullis' letter to President Eisenhower and the President's reply follow:

President Dwight D. Eisenhower,
The White House,
Washington, D. C.

Dear Mr. President:

Now that the 83rd Congress has completed its work and the full record of its activities has been written, it is clear that a tremendous part of your forward-looking program has been enacted into law. The accomplishments in agriculture, taxation, Social Security, unemployment insurance, transportation, atomic energy, and the other fields are significant and memorable.

In the field of foreign economic policy some progress was also made. The one-year extension of the Trade Agreements Act will permit the negotiations with Japan to go forward.

I was glad to see also that the Congress authorized a complete study of customs classification. Obviously the Congress had too much to do on major pieces of your program presented prior to your foreign economic policy message of March 30 to deal adequately with it.

Some of your friends are concerned about the place this program occupies for the year ahead. Some, too, fearful of the consequences of the watch tariff decision, are anxious to be reassured that your Message still constitutes the charter of your Administration's foreign economic policy. It might be useful, as you have the opportunity, to get the thinking clear and the record straight again on that issue.

With my warmest appreciation for your magnificent efforts in the service of our beloved land.

Sincerely,
(Signed) HARRY A. BULLIS.

THE WHITE HOUSE,
Washington, D. C.
August 26, 1954.

Dear Harry:

Many thanks for your good letter expressing as it does your sincere interest in a most vital problem confronting our country.

As you know, I fully share your view as to the splendid accomplishments of the Congress in translating so much of my legislative program into reality during the session recently concluded. Several of these enactments required of the Congress the setting of new directions and a fresh pace. That is always a time-consuming and often exacting process.

With respect to the foreign economic policy aspects of the program, it was unavoidable that they reached the Congress well along in the session. Time was not available to consider them adequately. I want to emphasize, however, that my Message of March 30, 1954 to the Congress on this subject remains firmly the Administration's position. It is my present intention to give high priority to progress in this whole field in planning for next year's legislative program.

The events of every day bear in heavily upon us the imperative necessity of building stronger economic relations between ourselves and the free world. This is true, first because the growth of our own economy and the attainment of rising standards of living for our people can materialize only in step with economic growth and improvement in the economies of the free world linked to ours. It is more emphatically true because it is in our enlightened self-interest to have economically strong friends throughout the world. The prudent widening and deepening of the channels of trade and investment by us will not only produce good results in themselves but will encourage similar action by our friends abroad. That is the route to better markets and better feeling.

I note what you say on the watch tariff decision. That case, as with the more recent one on lead and zinc, was decided solely on its merits under the law in the light of the United States Tariff Commission's report and with the advice of interested Departments and Agencies of the Executive Branch.

I welcome your support and the support of the many who like you believe that the proposals of my Message of last March are still in the best interest of our people.

Sincerely (Signed)
DWIGHT D. EISENHOWER.

Mr. Harry A. Bullis,
General Mills, Incorporated,
400 Second Avenue South,
Minneapolis 1, Minnesota.

Alan Leland Joins Coffin & Burr, Inc.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alan C. Leland has joined the staff of Coffin & Burr, Inc., 60 State Street, members of the Boston and Midwest Stock Exchanges. Mr. Leland was formerly Boston representative for Geyer & Co., Inc.

Joins Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Norman T. Johnson has become connected with Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Los Angeles Stock Exchange.

With J. Barth Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert W. Grunigen is with J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Davidson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John O. Leeper is with Davidson & Co., 155 Sansome Street, members of the San Francisco Stock Exchange.

THE MARKET... AND YOU

By WALLACE STREETE

A couple of severe beatings this week gave the stock market its stiffest test of the year. For the industrials the constant progress made every month so far in 1954 finally came to an end, at least temporarily, in August, with irregularity until the Labor Day weekend is out of the way the best that could be expected.

* * *

Attempts to lay the setback to the end of the European Defense Community strained logic a bit and the more accepted version was that the selling followed the breaching of the previous reaction low at the 340. When it appeared that this previous resistence level would not hold, the selling became general. Volume, however, showed no drastic increase and, in fact, held in the lower range of the recent "norm."

* * *

American Telephone was among the weaker issues in the investment section of the list. On top of losing a couple of points last week, it lost even more in a couple of sessions this week with some of the selling ascribed to the weight of a large block hanging over the market.

* * *

Former Leaders Chief Targets

Earlier predictions that the issues which had done the most to keep the advance going for 11 months would be the logical selling targets on a setback were borne out fully. Du Pont, particularly, felt the brunt of some concentrated selling that forced it off a handful of points at its worst this week, and carried it to roughly a dozen points below its year's high.

* * *

The Falling Aircrafts

Aircrafts were prime targets for liquidation throughout, Douglas being forced below 80 from its year's peak of above 92 and Boeing landing at a level a dozen points under the best seen in 1954. At one stage of the selloff, no less than Boeing, Douglas, General Dynamics, and Bell Aircraft appeared simultaneously in the casualty column with losses of three points or close to it, while Republic, Grumman, Northrop and North American Aviation coincidentally were sporting minus signs of around two points—graphic proof of concentrated attention.

* * *

Montgomery Ward has had a rather bleak market course since it was officially revealed that a proxy fight to change control of the large mail order house was underway. Under the impetus of strong rumors of the budding fight the issue had crossed the 80 line but has been retreating since with some determination. In only a few trading sessions it lost some 10% of its peak price.

* * *

Steels have been having their own troubles on industry estimates that the Fall pickup in business would be less than anticipated. To these predictions there was this week added the anti-trust attention to the proposed merger of Youngstown Sheet and Bethlehem Steel and neither was of much comfort market-wise to their followers. Both were among the bellwethers that have retreated 10% or more from the best prices of the year.

* * *

Motors Give Some Comfort

Motors offered a bit of solace, Chrysler able to inch ahead despite general market debility while Mack Trucks, which was handled roughly when a merger with White Motor fell apart, was able to carve out an impressive gain even when the market was softest.

* * *

There was some heaviness that was exaggerated by heavy off-board offerings, notably Jersey Standard Oil which had to contend with a 100,000-share secondary offering and Atlantic Refining which was under the weight of a 280,000-share disposal from Atlas Corp.'s portfolio to help replace the $9,000,000 withdrawn from the cash box to finance a Utah uranium mine. There was also a block of 33,200 shares of Union Oil of California which was put through via organized trading.

* * *

These large bundles, probably by what is no coincidence, seemed to center on oil issues and helped cut short the new-found popularity of the group following recent price increases: Texas Gulf Producing, which had added some half a dozen points last week at best, turned around rather abruptly and in a few sessions lost the entire improvement in a rush.

* * *

Those Contrary Rails

Rails continue to display a contrary streak. They had been the first to decline through the previous reaction low set early in August. And they did it on somewhat greater daily weakness than that shown by the industrials. Yet when the industrials "confirmed" the intermediate downtrend, the rails were far from spectacular in the selling. Missouri-Kansas-Texas preferred, in fact, was able to keep nudging its 1954 high a peg or so higher despite the weight elsewhere. The popularity of the latter stems from a new attempt to work out a recapitalization plan for the road.

* * *

Utilities, however, took the heaviness seriously and the retreat of the utility average, with only an occasional rebound, was as persistent as its independent strength throughout July and August. A measure of this could be blamed on the natural gas issues which have been backward now for some time and entirely willing to slump when the going is rough for the market generally.

* * *

The chemicals were noteworthy mostly on the dour side. Virginia Carolina Chemical, a recent skyrocket, logically came in for some profit-taking that forced it off hard from its newly posted year's high. Allied Chemical was also dropped some 10% off its year's high by rather persistent selling, despite a rather heavy concentration on the issue by analysts as one of the behind-the-market items around.

* * *

One result of the corrective selling was that for the first time in two months the daily new lows ran ahead of the new highs. Discounting the period early in the year when the 1953-54 prices were used for this yardstick, it was the second valid lead taken by the bear side all year. The regulars that have been repeaters on the new lows list include such as American Motors, on which dividends were recently suspended, Fedders Quigan, Pfeiffer Brewing and Southwestern Public Service. The latter, a newly listed issue, hasn't had much time to build up a range of consequence.

* * *

The Technical Side

On the technical side, the general market decline was hardly a surprise, nor was the fact that the 340 level failed to hold for the industrials. After an improvement of nearly 100 points in the industrials a technical correction, far from being out of order, actually was overdue. Opinion is divided over where support will be encountered with one school holding that a base is imminent while the chart element sees a possibility of a decline to around the 320 level. Major sentiment still favors a resumption of the bull swing eventually, with at least one market anaylst talking quite glibly of a level of 450 to 500 and possibly 600 or more if speculation rises to the heights of past bull markets.

[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.]

Halsey, Stuart Group Offers Telephone Debs.

Halsey, Stuart & Co., Inc. headed a syndicate which on Sept. 1 offered $55,000,000 Southern Bell Telephone & Telegraph Co. 35-year 3⅛% debentures due Sept. 1, 1989, at 102.368% and accrued interest, to yield about 3.015%. Award of the issue was won by the group at competitive sale Aug. 31 on a bid of 101.70999%.

Net proceeds from the financing will be used to repay outstanding advances to the company from its parent organization, American Telephone & Telegraph Co. These advances are expected to approximate $52,000,000 at the time the proceeds are received. The balance of the proceeds will be used for general corporate purposes.

The debentures are to be subject to redemption at the option of the company, in whole or in part, at regular redemption prices ranging from 105.368% to par, plus accrued interest.

Southern Bell Telephone & Telegraph Co. is engaged in the business of furnishing communication services, principally telephone service, in the States of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. On March 31, 1954, the company had 4,322,828 telephones in service and was furnishing local service in 1,037 exchange areas. The company also furnishes interstate toll service between points within its territory and between points within and points outside its territory in conjunction with other companies; teletypewriter exchange service, mobile radio-telephone service, rural line switching service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the year 1953, the company had total operating revenues of $432,062,692 and net income of $50,954,432. For the three months ended March 31, 1954, operating revenues aggregated $111,939,404 and net income was $13,049,538.

Fin. Engineering Assoc.

DALLAS, Tex.—Finance Engineering Associates, Inc., has been formed with offices in the Mercantile Bank Building to engage in the securities business. Mike Abraham is a principal in the firm.

Joins Carroll, Kirchner

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alfred A. Wiesner has become associated with Carroll, Kirchner & Jaquith, Inc., Patterson Building. He was formerly with Boettcher & Co.

New Investing Course Announced

The New School for Social Research announces a course, "Your Investments," by A. Wilfred May of the "Commercial and Financial Chronicle," formerly of the Securities and Exchange Commission and Treasury Department, and Leo Barnes, Chief Economist of Prentice Hall, Inc., and author of the current best seller "Your Investments," beginning Thursday, Oct. 7 at 5:30 p.m.

A. Wilfred May

Dr. Leo Barnes

The series, subtitled "Managing Your Money in Today's Market" offers practical investment guidance to all concerned with the handling of capital. Emphasis will rest on a realistic appraisal of investment opportunities as well as on the avoidance of psychological foibles and statistical pitfalls.

Among the special topics are: investment versus speculation; how to choose your broker and other advisers; how to read the financial and business pages; opportunities in common stocks and other types of securities; estate planning; and whether successful market forecasting is possible.

The instructors will advise on special problems of individual students throughout the course.

Our Current Economic And Financial Problems

By MARTIN R. GAINSBRUGH*
Chief Economist, National Industrial Conference Board

Dr. Gainsburgh analyzes the bulge in savings habits; the upward surge in American workers' factory wages; and the farmer's improved long-term exchange position.

Personal Savings: The average American family has been saving a higher percentage of his after-tax income in recent years than in any earlier period, with the exception of the "enforced" savings during the shortages of consumer goods in World War II in 1929 and other years of high-level economic activity the peak rate of individual savings fell just short of 5% of all consumer income, after personal taxes. In the years 1951-1953, the corresponding rate of savings was slightly above 7%. Despite the recession or business readjustment of the past year, the rate of savings has continued at this historically high plane. Preliminary estimates for the second quarter of 1954 recently released by the President's Council of Economic Advisors place the rate of personal net savings at about 7.1% somewhat lower than the rate for the first quarter but well above the "noun" for peacetime years.


M. R. Gainsbrugh

Among the various factors behind the bulge in savings habits are: (1) loss in purchasing power of past savings through the process of inflation and the recognition of consumers that a higher rate of savings out of current income was necessary to offset the shrinkage in purchasing power of their past savings; (2) the high rate of construction and capital formation which simultaneously provided ready outlets for savings and a higher reform or reward for thrift; (3) the sharp increase in mortgage debt and consumer credit, which in turn required consumers to set aside, (save) a rising proportion of their income to meet interest charges and fixed payments on such debt and (4) a "cultural' lag resulting from the drastic shift in income distribution—millions of families have been lifted from the subsistence levels to middle income groups and have yet to acquire the spending patterns of such groups. Professional opinion is still divided among economists, as to the possible permanency of this higher savings rate. Meanwhile, it should be recognized that the high rate of savings has enabled investment in houses, new industrial plant and factory equipment to continue, thereby contributing significantly to high employment and the maintenance of incomes of the millions of workers employed in the capital goods industries.

While personal savings have continued high during this recession, so too has personal consumption. Consumers are currently spending at an annual rate equal to, if not above their peak outlays a year ago, before the recession began. Expenditures for durables (cars, furniture, etc.) have declined by about 10%, but these reductions have been more than offset by a higher rate of spending for rentals, transportation and other services.

Thus the saving spending figures clearly indicate that the major body of this nations consumers have not found it necessary to curtail their living standards. Apparently they continue highly confident that their employment and income will not be sharply curtailed in the current months. Certainly the prevailing picture does not suggest an inadequacy of consumer purchasing power currently which requires income supplementation through emergency governmental action. Instead the actual pattern as we move into the closing months of 1954 is **sharp, stable consumption accompanied by as high a rate of savings**—largely in savings and loan and other forms of thrift employed by the middle, mass income groups—**as in any peak year,** excepting only the abnormal savings of World War II.

Trends in Labor Income: It is doubtful whether in all man's history a historic parallel, can be found to match the upward surge since the turn of the century in the wage received by the average American factory worker. In the early years of this 20th Century the average wage earner worked 54 hours per week and received in return about $11 in his weekly **paycheck.** As late af 1929 he put in 44 hours or more per week and received only about $25 per week in return. Contrast this with his average paycheck of about $72 in the last and current year. Within little more than one generation the average of hourly earnings has been multiplied nearly ninefold—from 22c per hour in 1914 to about $1.80 today. And the weekly paycheck is fully six times that received pre-World War I despite a cut of about 10 hours per week in labor's input of time.

True, taxes are higher today than in earlier decades and prices, too, are sharply above what they used to be but as best we can allow for such increase in living costs, it remains true that the real income of today's wage-earner (that is his actual command over goods and services) is two to three times what it was a half century ago.

What has also gone relatively unnoticed during the past year is the stability of the average weekly pay-check in manufacturing. Despite the loss of overtime in numerous defense and related industries, official figures recently released indicate that average weekly earnings are today virtually at the peak levels earlier achieved in 1953. The weekly paycheck for June of this year average $71.68. This was the same as the average paycheck received during the full 12 months of 1953 and only slightly below the corresponding figure ($72.04) for June, 1953.

Farmers' Exchange Position: Farm prices and farm income have, contracted sharply in recent years and may continue to do so in the months ahead. However, the farmer's exchange position is still far better than it was before World War II. With the same physical quantity of agricultural products today as in 1939, the farmer can still command 20% more goods and services in current markets than he could prewar. For example, he needs 36% less wheat today than in 1939 to buy a given piece of farm machinery and 26% less to buy a passenger car. It would also cost him 9% less, in terms of wheat, to build a standard six-room frame house than before the war.

*A summary statement by Dr. Gainsbrugh presented before the inaugural session of the Ohio Savings and Loan Academy, Granville, O., Aug. 14, 1954.

LETTER TO THE EDITOR:

Sees Stock Market Due For Technical Correction

Samuel Penski gives five reasons for a turn downward from present trading range, indicating an intermediate technical correction of the 96-point rise since last September.

Editor, Commercial and Financial Chronicle:

It has been said that in this world there are no experts, only people with varying degrees of ignorance. This thought gives me (an *e pluribus unum* reader) boldness to express my opinion on the New York stock market.

While I am still bullish on the major term trend, it is my opinion that sufficient evidence exists to suggest a technical correction of intermediate proportions.

The market has been in a trading range between 340 and 352 (D-J Industrials) since July 23. It will eventually, I believe, break out of this trading range downside, for an intermediate term technical correction of the 96-point rise since last September. My reasons follow:

(1) A great deal of selling (profit-taking) has taken place since the beginning of July. This is shown not only by the extraordinary turnover without a relative increase in price, but also by the extraordinary number of "late tapes" for the period involved, namely: 11 (by my unsure count). Apparently, when buying comes in, offers stop the market in its tracks; and when selling occurs, bids under the market stop it in its tracks. But, stocks still being in very strong hands, selling pressure lets up as soon as bids become scarce. Yet the process implies a shifting of stock from strong hands to weaker ones, and thus eventually the market should break downside.

(2) The blue chips — stocks of investment or semi-investment grade—have been fully, even excessively perhaps, marked up. They may be expected to go through a period of price correction in order to enable them to perform their function of sparking the advance of the rest of the market. The thought involved is: If top quality stocks are unable to advance, why should stocks of lower quality do so. General Electric, which has sparked the market upward since last September, may be taken as an example of an over-priced blue chip. In March 1954 "Value Line" said of this stock: "Although record earnings and dividends are in sight this year, the current price of 100 represents an excessive discount of the favorable prospects." Split 3-for-1 since then, the stock is now the equivalent of 130, and has already been the equivalent of 145. To a large extent the other investment grade stocks are in the same situation.

(3) The market, as measured by the D-J Industrials, has increased more than one-third in value since last September, and is badly in need of correction. Not only is this a fact, but there can be little doubt that those interested in stocks are aware of it.

(4) While the action since early July is no doubt a part of the base for the next move in the major trend, it is highly unlikely that any action above 352 (D-J Industrials) would be supported without a searching test of support underlying the current trading range.

(5) Conditions external of the market appear bullish as a whole, but in recent weeks doubts have been raised as to its underlying strength. For example:

(a) President Weir, of National Steel, has erased the idea of an increase in steel demand this Fall.

(b) Loans to business have been declining contraseasonally.

(c) Inventory problems have not yet been eliminated. As "Business Week" points out: "Stocks (of goods) still are high alongside shipments."

(d) Unfilled orders continue to decline.

(e) Any favorable trend in foreign trade in the near future is doubtful.

(f) Economists are beginning to question the heretofore trumpeted "long term uptrend in earnings," pointing to stiff competition for each dollar of even a rising demand.

(g) Government activities over the next year or so may not be as favorable as many are thinking. As economic boom, supported now, may peter out by Presidential Election year 1956. Although the election this year will be considered important, the Administration may decide to wait a while before injecting the economy with easy money, easy credit, and fabulous government contract work.

My conclusion is that since the early part of July, the market has indicated that it would be bearish over an intermediate term. This does not mean that bullish forces (including rallies) will be absent, but rather that bearish forces will be dominating the market until such time as it indicates otherwise.

Very truly yours,
SAMUEL PENSKI

Box 195,
Hurleyville, New York
Aug. 28, 1954.

F. I. F. Management Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Francis J. Keily has become affiliated with F. I. F. Management Corporation, 444 Sherman Street.

Three With F. I. F.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Wallace R. Ousse, Henry F. Thompson and Carl M. Wicks have joined the staff of F. I. F. Management Corporation, Humble Building.

Is the Stock Market Top-Heavy?

Norman Steelman of Lilley & Co., members Philadelphia-Baltimore Stock Exchange, presents statistical data that indicate the rise in stock values since 1939 is due in large part to shrinkage of the purchasing power of the dollar.

"The Dow-Jones industrial average reached 352 on Aug. 19—a rise of 231 points since 1939. Just what part of this rise is due to legitimate increase in values plus speculative fervor and what part is due to shrinkage in the purchasing power of the dollar is difficult to decide, but it is safe to say that the rise is due in a large measure to what is commonly referred to as inflation.

"Were it possible to determine with any degree of accuracy exactly how much the dollar has shrunk in average purchasing power, we could measure the rise in stock prices accurately, but the charts depicting credit inflation and price trends are conflicting.

	*1939	1954	Increase
Index of Inflation (Harwood)	100	170	70%
Commodity Prices (Moody)	200	450	125%
Commodity Prices (Harwood)	110	240	118%
Consumers Prices (Harwood)	100	190	90%

*The year 1939 is chosen because that is the last year in which all indexes reached their approximate lowest level of the century and started upward.

"In the face of these conflicting percentages, we can only resort to an estimate of shrinkage in the purchasing power of money since 1939, and in the opinion of the writer, a conservative estimate would be 50%. In other words, it takes $2 to buy what $1 bought 15 years ago. Had the purchasing power of money remained constant since 1939, the Dow-Jones average would now be somewhere near 176 instead of 352, and a rise of only 55 points, or 45%, in stock prices would seem to be very conservative in view of the tremendous achievements accomplished by industry since 1939.

"The following tabulation illustrates the results of this formula when applied to the current levels of individual stocks:

	Closing Sale			Appreciation due to	
	*Aug. 29,'39	Aug. 17,'54	†Aug. 17,'54	Incr. Value	Inflation
du Pont	40	137⅜	68⅝	28⅝	68¾
General Motors	24½	81½	40¾	16¼	40¾
General Electric	13	43⅞	21⅞	8⅞	22
Sears-Roebuck	19¾	68½	34⅛	15⅜	33⅛
U. S. Steel	17½	54¼	27⅛	9⅝	36¾
Westinghouse Elec.	27¼	68	34	6¾	40¾

*Adjusted to subsequent split-ups. †Adjusted to the 1939 dollar.

"The dollar has depreciated more or less steadily since our present monetary system was inaugurated. Anyone who has lived long enough to know what things cost 50 years ago will recognize that as true, and anyone whose memory does not extend so far back, can find statistics to verify the statement. There have been short periods when prices fell and the purchasing power of a dollar rose, but they were always of short duration. Even the drastic deflation of the 1930's had only temporary effect. Prices have always risen again and the trend has always been upward. A chart depicting the downward trend of the purchasing power of money over the past 50 years, would look very much like a stock market chart in reverse.

"Have no fear that the inflation is going to be squeezed out of the dollar at some date in the future forcing stocks to adjust themselves downward accordingly. Nothing short of a depression such as we experienced in the 1930's could bring that about, and another such depression is most unlikely. After two disastrous world wars followed by Korea, we have learned how to maintain a constantly high level of prosperity and avoid depression. The lesson is not likely to be forgotten, and its application must necessarily result in continued inflation. Only through the discovery of some magic formula, could we hope to stabilize the dollar, let alone restore it to its former value."

NORMAN STEELMAN

Lilley & Co.,
Packard Bldg.,
Philadelphia, Pa.

LETTER TO THE EDITOR:

Disputes Einzig's Views on British Bank Note Increase

Frederick G. Shull, Connecticut State Chairman of the Gold Standard League, opposes principle that in these days the size of the gold reserve in Britain no longer is related to amount of the circulating note-issue.

Editor, Commercial and Financial Chronicle:

The article by Dr. Paul Einzig in your issue of Aug. 19, entitled "The Rise in the British Note Circulation," causes one to wonder whether Dr. Einzig is regarding gold-backed currencies as belonging to the dim, dark ages—as something never again to be revived. And yet, it was only a generation ago that practically all the leading nations of the world were on the Gold Standard. Dr. Einzig says: "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."

Frederick G. Shull

He seems concerned that current "Bank of England's returns show an increase in the note circulation to new records for all time." And well he might be; for mere printing-press money, lacking gold-backing, is dangerous for any nation—as it was for France in the 1790's, and for Germany in the 1920's. Such money, in the experience of France, came to be practically worthless; and, in the case of Germany, it required one trillion post World War I marks to equal the "value" of just *one* prewar mark.

As indicating that Dr. Einzig regards gold-backed currencies as something belonging to the "dim, dark ages," I quote the following from the article in question: "All this is now past history. The size of the gold reserve no longer plays a part in Britain in determining the note issue." If this is true, why do we pay any attention to current claims that national currencies should become freely inter-convertible? Certainly the American dollar is "gold-backed," in so far as our dealings with foreign banks and countries are concerned; for the American dollar carries a "value" of 1/35th of an ounce of fine gold, and is readily convertible by those foreign agencies, at the U. S. Treasury, at that value. Is it possible that any Britisher is envisioning a setup whereby printing-press paper pounds are to become "freely convertible" into American paper dollars, and which latter are "redeemable" to foreigners at the U. S. Treasury at $35 an ounce of gold? I hope America will never become so simple as to fall for this!

In connection with this question of "the amount of the note issue," Dr. Einzig credits Britain with being an "advanced country"; but says that "in backward countries . . . a rise in the note circulation is generally regarded as an indication of an inflationary monetary policy," that "in Britain it indicates nothing of the kind." For my money, the "backward countries" are on far sounder ground than the "advanced country" in this matter of "note issue."

If Dr. Einzig really wants to promote a return to sanity in international finance he will lend his support to a proposal made 23 years ago by a committee of 14 eminent British economists and financiers, known as the "Macmillan Committee," which, in its report rendered in 1931, made this very significant statement:

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

Why continue to dodge the real issue? Why not get right down to brass tacks and plump for a prompt return of nations to "honest" money—meaning, the Gold Standard?

Very truly yours,
FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League.

2009 Chapel Street,
New Haven 15, Conn.

FHLB Notes Offered

The Federal Home Loan Board yesterday (Sept. 1) offered, through Everett Smith, fiscal agent, $119,000,000 principal amount of Federal Home Loan banks 1¼% series B-1955 consolidated non-callable notes, dated Sept. 15, 1954 and due March 15, 1955. The notes are priced at 100%. A nation-wide selling group of investment dealers is participating in the offering.

Proceeds from the sale of the notes will provide funds for retiring $55,000,000 of 1.15% series E-1954 consolidated notes on maturity on Sept. 15, 1954 and for making additional credit available by the banks to their member institutions.

The notes are the joint and several obligations of the 11 Federal Home Loan banks and are legal for investment by savings banks, insurance companies, trustees and other fiduciaries under the laws of many States.

Upon completion of the offering and retirement of the notes due Sept. 15, outstanding consolidated obligations of the banks will total $179,000,000.

N. Y. Hanseatic Wire To Fairman, Harris

New York Hanseatic Corporation, 120 Broadway, New York City, announces the opening of a direct private wire to Fairman, Harris & Company, Inc., Chicago, Illinois.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Howard Corlies withdrew from limited partnership in H. T. Carey, Joost & Patrick on Aug. 31.

William Turnbull withdrew from limited partnership in Harris, Upham & Co. on Aug. 31.

J. L. Donahue Opens

(Special to THE FINANCIAL CHRONICLE)

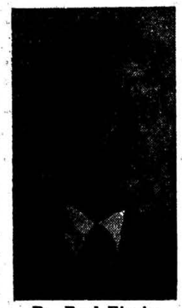
DENVER, Colo.—John L. Donahue is engaging in a securities business from offices at 430 Sixteenth Street.

Britain's Business Boomlet

By PAUL EINZIG

Commenting on improvement in business conditions in Great Britain, which will make 1954 "the most prosperous year since the war," Dr. Einzig holds that this development goes far toward discrediting the economic theory that business fluctuations depend on changes in the volume of capital investment. Lays present prosperity in Britain to increased consumer spending.

LONDON, Eng.—There is reason to believe that 1954 will be the most prosperous year for Britain since the war. Most business indices show improvements over conditions in 1953 which itself was a reasonably prosperous year. Employment continues to expand. The pockets of unemployment that developed in 1952 and continued to some extent during 1953 have disappeared. The proportion of unemployed is lower than ever. Real wages are increasing, because the rise in money wages is not accompanied by a more or less corresponding decline in the purchasing power of the pound. Retail trade is booming. The recent removal of restrictions on the terms of hire-purchase contracts is already beginning to produce its effect in the form of an increased demand for semi-durable goods such as television sets.



Dr. Paul Einzig

Industrial profits are on the increase, after their provisional decline during 1952-53. Higher dividends and untaxed profits on Stock Exchange operations stimulate luxury spending. Steadiness of employment encourages lower-income classes to spend on luxuries. In spite of the bad weather conditions this summer, holiday resorts are crowded. Crowds are surging day after day in the shopping centres of London. Evidently there is plenty of money to spend and it is being spent freely.

One of the characteristics of this boomlet is that is is based almost entirely on consumer demand. It is true, the nationalized industries are engaged in substantial capital expenditure. But investment by privately owned industries barely exceeded replacement requirements in 1953, and does not show much expansion this year. High taxation continues to discourage risk-taking investment. It may take some time before the continuation of the present business boomlet would stimulate new capital expenditure on a really large scale.

The British experience of 1954 goes a long way towards discrediting the prevailing fashion in economic theory according to which the ups and downs of business activity depend overwhelmingly on the changes in the volume of capital expenditure. This "mystique" of capital investment in modern economic literature was initiated by Keynes in the thirties. It attaches special significance to spending on capital goods, which is supposed to be the source of all prosperity. For some obscure reason which has never been adequately explained, Keynesian economists think there is a fundamental difference betewen the effects of an increased speeding on capital goods and on consumer goods. The amount spent on the former is re-spent again and again by its recipients. To use the jargon of economists, it produces a "multiplier" effect which is several times larger than the actual amount originally spent on capital goods. On the other hand, the amount spent on increased buying of consumer goods is supposed to produce no such effect; the purchasing power spent on consumer goods is supposed to vanish into thin air once it is exercised. There is no logical reason, however, why there should be such a difference. Any additional purchasing power, whether created through additional spending on industrial equipment or on perishable goods, is likely to be re-spent again and again until it is mopped up through taxation or saving.

The British prosperity of 1954 has not been brought about by any boom of capital investment. It is largely, if not entirely, the result of an increase of consumer spending. Possibly the rising demand for consumer goods and the rising profit possibilities will lead to an increase in capital expenditure, as and when industrial firms find it neecessary to expand their producting capacity in order to cope with the higher demand. But the additional investment will then be largely the effect of the boom and not its cause.

This experience is liable to undermine the widespread superstitious belief in the alleged superiority of capital expenditure over consumer expenditure as the source of wealth and prosperity. It seems that it is a matter of complete indifference whether the cycle is initiated on the producer side or the consumer side. Producers may undoubtedly initiate a boom by embarking on large capital expenditure, leading to the creaton of additional purchasing power and to a resulting increase of consumer demand. On the other hand, consumers, too, are in a position to take the initiative by receiving higher personal income or by spending more freely. The ultimate result is the same, no matter at which end the boom originates.

Another peculiarity of the British business boom of 1954 is that so far it has not lead to any deterioration of the balance of payments. In spite of the increase of domestic demand exports are well maintained. The increase of industrial output is capable of meeting the additional domestic demand, so that there is no need for diverting manufactures from export trade to home markets. This does not mean, however, that it would be possible to maintain exports if domestic demand should further increase to an appreciable extent. The index of industrial output and the index of wages need watching carefully. For should the latter rise materially above the former, the balance of payments would be bound to suffer. It is therefore premature to rejoice under the wishful impression that it has become possible to eat our cake and export it.

Yet another interesting feature of the present domestic boom is that it is taking place without the stimulus of an inflation in the ordinarily accepted sense of the term. Too much money is no longer chasing too few goods. In the days of Dr. Dalton's Chancellorship there was an all-round sellers' market, owing to the monetary expansion of the early post-war period. Monetary expansion has not been stopped altogether, but, judging by the stability of prices, the expansion of the output seems to keep pace with it. "Creeping" inflation is still in progress, but it is now creeping at a much reduced pace.

In the absence of the irresistible pressure for higher wages, due to overfull-employment, the increase of industrial output and the reduction of the cost of production through progressive mechanization would result in a decline in prices. Wage-earners would benefit by higher real wages if their unchanged money wages could buy more goods. But the illusion that more money necessarily means more prosperity dies hard. The workers and their unions much prefer to benefit by higher productivity in the form of receiving higher wages rather than in the form of being able to get more for their unchanged wages.

There is nothing spectacular in the British business boomlet. It is true, it is accompanied by a steadily rising trend on the Stock Exchange. But there is no indication of excessive speculation that would threaten to culminate in a slump. Nor is there any feverish company-promoting activity. Indeed, as we saw above, new capital investment is deficient rather than excessive. The danger is not a reaction in a deflationary sense but the degeneration of the moderate boom into a revival of strong inflation.

R. H. Whitacre Joins J. G. White & Co.

Robert H. Whitacre, formerly an officer of the First National Bank of Arizona, Phoenix, has joined J. G. White & Company Incorporated, 37 Wall Street, New York City, in the United States Government and municipal bond departments, it has been announced.

Robert H. Whitacre

Mr. Whitacre, a former Secretary-Treasurer of the Arizona Bankers Association, is a graduate of the University of California, A.B and M.A. in Berkeley. From 1936-1944 he was Assistant Secretary, California Bank, Los Angeles and from 1944-1948 was in the U. S. Government bond department of the Bankers Trust Co., New York.

Robt. W. Rich With Heller, Bruce & Co.

SAN FRANCISCO, Calif.—Robert H. Rich has joined the San Francisco office of Heller, Bruce & Co., Mills Building, as Manager of the Trading Department. Mr. Rich was in the securities business in Boston and New York from 1929 to 1946, save for the years 1943-1945 when he was in miiltary service. More recently he has been teaching at Rutgers University in New Jersey and at Punahou School in Honolulu.

Pittsburgh Bond Club Annual Fall Outing

PITTSBURGH, Pa.—The Bond Club of Pittsburgh will hold their Annual Fall Outing at the Allegheny County Club, Sewickley, Pa., Friday, Oct. 1, 1954."

W. G. Nielsen Opens

BURBANK, Calif.—Walter Gram Nielsen is engaging in a securities business from offices at 212 East Providencia.

H. C. Schneider Opens

OKLAHOMA CITY, Okla.—H. Carl Schneider is engaging in a securities business under the firm name of Herman C. Schneider Company, with offices at 329-331 N. W. Third Street.

Continued from first page

A Look at the Business Barometers

(2) Replenishment of inventories.

(3) Relatively strong consumers' financial position.

(4) Good first half earning reports.

(5) Easy money policy, with assurance of adequate credit for all essential needs.

There is no single indicator that can be depended upon as a reliable guide in forecasting future economic events. The National Bureau of Economic Research, after an exhaustive study of 800 economic series, found that eight indicators were the most reliable in foretelling the future, since they consistently turned up or down in advance of general business, anywhere from 2.5 to 10.5 months. All eight are now pointing to an upturn in business. But the National Bureau has emphasized that the series do not indicate the extent of any coming change in business.

The basic cause of the recession is attributed to the abnormal accumulation of inventories, which in September, 1953, reached a record high of $82 billion. Since then there has been a reduction of about $3 billion. The bulk of the adjustment was accounted for by durable goods manufactures. For the first time in four years, the end of the month inventory total in May was less than the preceding year. While inventories are still troublesome, particularly in some durable goods industries, considerable progress has been made in adjustment on an overall basis, and some lines have reached the stage where replenishment will soon be necessary.

The completion of inventory adjustment would not of itself assure a reversal in the business trend. To have an upturn there must be an increase in demand for goods on the part of individuals, businessmen, government, or foreign customers. Various means could be used to stimulate business revival. Among them are new and better products, lower prices, reduction in taxes, easier terms in financing mortgage loans, expansion of public works, and other measures recommended by the Administration.

Commodity Prices

Commodity prices have strongly resisted downward pressure. While industrial production has declined by one-tenth in the course of the past 12 months, the overall index of wholesale prices has held fairly steady. The relative stability is attributed to government price support of major farm commodities, the stockpiling of metals for militay purposes, and the rise of industrial production abroad

Savings Banks' Situation

At this stage I shall temporarily depart from the general economic theme and present some data on the position of mutual savings banks as well as comments on mortgage loans and investments.

The assets of mutual savings banks were about 24% of all financial institutions in New England in 1953, as compared with 31% in 1930.

In 1937, total assets of New England commercial banks were around 5% less than those of New England mutual savings banks. By 1953, however, the assets of the commercial banks were 28% more than those of the savings banks. While savings banks have been outdistanced by commercial banks, the latter in turn have lagged behind the insurance companies. In 1930, the assets of New England life insurance companies were 27% less than those of the commercial banks, but in 1953 they were 60% greater.

Looking at another angle of this picture, from a national point of view we find that in 1939 the mutual savings banks of the country held 17% of the total nonfarm mortgage loans, aggregating $29 billion, but this proportion had dropped to 13.5% in 1953. In other words, your institutions on a national basis were losing relative ground during this period. So also were individuals and so-called "other holders," that declined from 33% of the total in 1939 to 21% in 1952. On the other hand, the proportion held by commercial banks during this period increased from about 13% to 18%. Savings and loan associations increased from 13% to 22%, while insurance companies increased from 17% to 23%. These figures emphasize in a concrete way that competition for loans today is keen and on a broad front.

Outlet for Savings Banks' Funds

Based upon a report issued by the Federal Reserve Board, nearly 48% of the total assets of all mutual savings banks in the country were accounted for by loans and over 47% by investments, principally U. S. Government securities. In other words, on a national basis the outlet for savings banks' funds was about equally divided between loans and investments.

Investment and Money Rate Trends

Loanable funds from major sources constitute a common reservoir and are subject to the same fundamental monetary and economic influences. Money rates are determined not only by the demand for and the supply of funds but also, particularly in recent years, by the credit, fiscal and debt management policies of the government. Differentials in money rates are accounted for largely by variation in risk and maturity.

Member bank reserves are the key to the money market as they constitute the marginal supply to bank lending power. These reserves are concentrated at the Federal Reserve banks, and Federal Reserve policy can exercise a dominating influence upon the extent to which these funds are used.

A year ago last spring the money market was tight, largely because of the unusually heavy demand for funds by major borrowers and the restrictive measures applied by the Administration to halt inflation. But at that time it was announced that there would be a liberal easing of monetary policies as soon as there were indications that business was slackening. By June, the open market committee was calling for operations "to avoid deflationary tendencies without encouraging a renewal of inflationary developments." By September, steps were taken "to avoid deflationary tendencies."

The policies followed were in line with the statement made last spring by Federal Reserve Board Chairman William McC. Martin, Jr.: "The universal desire for orderly, steady economic progress, and a constantly improving standard of living, certainly cannot be achieved without flexibly administered monetary policy and action—with restraint on creation of excessive credit in a boom and a policy of liberal monetary ease when inflationary dangers no longer threaten stability."

The money managers have maintained a condition of monetary ease to combat the deflationary developments. Toward this end, member bank reserve requirements were recently reduced in order to release ample credit for the expected seasonal rise in autumn business, and particularly to help facilitate the coming Federal financing of about $10 billion.

The latest reduction in reserves added over $1.5 billion of funds of member banks on which they can make additional loans and investments of over $9 billion. This comes at a time when the supply of funds at banks has been increasing because of:

(1) Less demand for funds for tax purposes since under the Mills Plan corporations were required to pay 90% of their taxes in the first half of the year.

(2) Large accumulations of cash held by corporations.

(3) Slackening in business and the reduction in inventories.

(4) Competition for loans by finance companies and insurance firms, and in the commercial paper market.

These factors point to a continued ease in the money market. The Federal Reserve officials, however, do not desire that loanable funds become superabundant, and stand ready to take up the slack by selling Government securities or by allowing Treasury bills to run off as they mature. Another restraining influence upon abnormally low rates has been taken by corporations and state and municipal authorities by placing large amounts of surplus funds in time deposits at 1% instead of buying Treasury bills at lower rates. It would appear then that the bottom of the money curve is being reached. Nevertheless, in view of the fact that any upturn in fall business is expected to be moderate, indications are that for the remainder of the year it will be a borrowers' market, with money rates comparatively easy. This spells a relatively strong bond market. But in a period of cold war, with creeping inflation, managers of investment portfolios must always be alert and on guard against untoward developments.

Building Prospects

After eight years of record-breaking performance, the building boom will continue for at least the remainder of the year. Expenditures for new construction for the first seven months of the year aggregated more than $20 billion, or about 3% more than the year earlier. The chief props to the building boom are private residential building, state and municipal building projects, and commercial and utility construction. The most stimulating forces behind the vigorous building activity are the Federal Reserve monetary relaxation and the liberality of down payments and mortgage maturities. Houses can be financed now with nothing down and 30 years to pay.

As to future prospects, many factors must be taken into consideration. Since the end of World War II, about eight million housing units have been added, bringing the number of dwellings now in existence in this country to 49 million, or about one to every three persons, as compared with one to every four persons in 1940. While it is estimated that the rate of family formation will be on the decline for the next five years, this is in part offset by the fact that about 60% of American homes were built prior to 1930, and a good proportion are in need of repair and renovation. It is estimated that the amount being spent currently on home improvement and maintenance is at the annual rate of $6.5 billion. In order to provide accommodation for the growing population and a modest increase in housing space, in keeping with rising living standards, it is estimated that additional dwelling units averaging a million annually would be needed for the next seven years. The key forces that determine the trend of building are population growth and the degree of prosperity in this country. These factors will now be considered on a broad basis from the long-range point of view.

The Long-Range Economic Outlook

With the country rapidly catching up on past civilian shortages, and having provided for a major part of the defense program, the chief stimulating forces that have kept business sustained at a super-boom level for such a long period are losing some of their steam. A period of moderate adjustment is under way. This is inevitable and necessary in order to correct the maladjustments created by the prolonged period of artificial prosperity. Production has outstripped consumption, future income is heavily mortgaged, while staggering government expenditures have grown to the point where taxes have reached the ceiling, and plant capacity has been expanded until it is now about twice as great as in the prewar period.

A number of cushions have been provided to resist deflationary forces. Whereas in 1929 government spending — Federal, state, and local—constituted 13% of national income, now it is around 32%. Total government expenditures of all kinds currently aggregate about $100 billion, or more than twice the total national income in 1932. While this huge amount of expenditures is highly undesirable from many angles, it does provide an important element of support when civilian demand slackens. Defense constitutes the major item of Federal expenditures, and in view of the cold war will not be substantially reduced for an indefinite period unless international relations should be unexpectedly changed for the better. Furthermore, the Administration has the determination and, through its spending, taxing, and regulatory policies, the means of combating any unfavorable situations that may develop. Then there are "built-in" stabilizers such as unemployment compensation, Old Age Assistance, pensions, farm commodity price supports, and deposit insurance, plus huge private liquid assets that may be drawn upon for emergency purposes.

Moreover, it would appear that business is better able to ride the "rough seas" because it has a more reliable compass and charts to direct the course. We need go no farther back than the early 1920's to find how grossly inadequate were economic and statistical data that could be used as barometers of business trends. At that time there were inadequate or no monthly nor quarterly figures on such important items as gross national product, disposable personal income, consumer credit, corporate profits, inventories, sales, and farm income, while the Federal Reserve Board's index of production was first issued in 1922. In other words, there was lacking practically all of the basic material that we now rely upon to give us the picture of the business pattern of the past and present as well as indications of the future trend. In consequence of information now available, management is in a much better position to keep operations on a sounder basis. Nevertheless, our economy is so complex, and is subject to so many political and international influences, that even with all the data now on hand it is extremely difficult at times to make reliable forecasts.

While the peaks and valleys of business may be less pronounced, it is not likely that the business cycle will be eliminated. The seeds of depression are sown in a period of prosperity. What is needed is to keep business expansion within reasonable bounds, or as Paul Warburg put it, "sit on the bulge of the boom." Another fundamental requirement is that our economy must be kept flexible and not allowed to become set in a rigid pattern that leads to stagnation. This rigidity is brought about by excessive government interference, red tape and regulations, exorbitant and discriminatory taxation, rises in wage rates beyond productivity, and by any stifling of competition or suppression of new ideas, inventions and facilities, or anything else that would have a restrictive influence upon American progress.

As I have previously indicated, the propelling forces have lost some of their momentum. The extended boom which was based upon filling the huge post-war pent-up demand in all fields has been largely met, and for the next few years business will be more dependent upon replacement demand. In other words, the major expansionary forces may not be as strong for the period 1954 to 1957-58. This period may be one of transition with the business pace slower. It will be a period of keen competition, narrower profit margins, and a challenge to business and bankers to find new opportunities to maintain a healthy economy. There will be the constant danger of public clamor for huge Federal spending. But if we can bridge this gap on a sound basis, there lies beyond in the latter part of the 1950's and 1960's—barring of course no worsening in the international situation — another period of great dynamic development.

Propelling Forces of Progress

Fundamentally, the economy is shifting from a super-boom stimulated by a huge pent-up post-war demand to a more normal period based more largely upon replacements. Despite the prevailing slackening in business, there are strong underlying forces of growth that will manifest themselves following a period of transition. But this development will be accompanied by challenging problems in financing our requirements and in making the necessary adjustments.

Pressure of Population Growth

One of the strongest propelling forces is population growth. In the last decade the number of persons in this country increased by over 19 million, or more than twice the gain in the 1930's, while from 1950 to 1960 it is estimated that the population will increase by 28 million, or equivalent to twice the population of Canada. The most striking gain in the last decade was in the group five years of age, which increased by 5.6 million in contrast with an actual decrease of 900,000 between 1930 and 1940. By 1960 it is estimated that enrollment in the elementary schools will have increased by 7 million, and the high schools by 2.3 million. This sharp increase in the number of young people will require the building of hundreds of thousands of new classrooms which are already badly overcrowded. By 1960 it is estimated that public school enrollment will be 35% higher than it was in 1950. Many billion dollars will have to be spent on school buildings, playgrounds, and other related works.

Since 1948 the growth in family formation has slackened because of the abnormally low birth rate during the depression of the 1930's. In the early 1960's, however, there wlil be another vigorous population cycle because of the heavy birthrate since 1940. As the youngsters born since 1940 become of marriageable age, family formations will be expected to show a considerable rise.

In addition to growth, mobility of population is an important stimulating force. In the last decade, mobility of our people has been the greatest in history. About one out of every five persons changes residence every year and resettles in a different home or in another part of the country, according to United States Census figures. Mobility of the population contributes much to the dynamics of the economy, creates markets for new homes, and builds new communities. The extent of this migration movement is reflected by the increase during the last decade of over 35% in the number of persons living in the suburbs as against an increase of only less than 14% in the central cities.

Tools and Living Standards

The rapid growth of population in itself does not assure progress. In countries such as China and India, the expansion of the population spells overcrowding, starvation, and misery. But in this country the expanding wants of the people have been met because of tremendous productivity. While this may be attributed to many factors, the predominant one is that compared with the rest of the world the American workman is far better equipped with power-driven tools. The amount of electrical power produced in this country is more than 30 times the amount of human power, whereas a century ago human power was two and a half times as great as machine power. Since this country produces 42% of the world's electricity, the average American has 10 times more mechanical power than the average worker in the rest of the world, and our standards of living are correspondingly higher, as confirmed by income statistics compiled by the United Nations.

In the last decade, more than $200 billion has been invested by American industry in plant and equipment. The present stock of equipment in use is approaching normal, based on the long-term trend line. According to a recent survey, approximately three-fourths of all outlays for equipment are for replacement of worn out facilities rather than for expansion of capacity. The primary reason for this investment is cost cutting. Including fringe benefits, the average cost of an hour's labor generally is more than 165% above 1939, while it is estimated that the average price of equipment has advanced only about one half as much. Hence, emphasis is being placed upon labor-saving devices, in preparation for the rugged competition that lies ahead. This should benefit the workers since increased mechanization will call for new skills, with the consequent upgrading of labor, and also provide new job opportunities.

Congested Highways

The flow of cars is rising at a much faster pace than highway development. Since 1941, the number of motor vehicle registrations has increased from around 35 million to 55 million, a gain of 60%, while by 1975 it is estimated that there will be 85 million motor vehicles on the road. In the face of this situation, fewer roads were built in the last decade than in the 1930's. To aggravate matters, 86% of the traveling is done on 23% of the mileage. The big problem is how to finance these roads without imposing a staggering burden on government.

The toll roads are a partial answer. About 4,500 miles of toll roads have been built, or are in the process of construction or authorized. While this is a small proportion of the needed expansion, according to a Department of Commerce study it is possible to have a 12,000 mile network of fully self-liquidating turnpikes in service by the mid-1960's. Such a system would relieve much of the congestion on rural sections of the interstate highway system, but it would not solve the traffic problem in metropolitan areas.

Migration of Industries

In our dynamic economy, industries are on the march. This is a sign of healthy growth of fundamental economic forces. This movement was accelerated by the establishment of defense plants in the South, West, and other parts of the country. Nearly 40% of total facilities contracts in World War II were in the South and in the Pacific States. In addition, huge outlays of Federal funds for development in the form of dams, irrigation, and flood controls have been and continue to be contributing factors in the attraction of industry to the South and West.

Industrial migration has been motivated by many forces and has varied by industries, but the dominant one is the consumer market. Based upon a study made by the N.P.A. Committee of the South, of 88 new firms locating in the South in the post-war period, it was found that 45% were primarily oriented to their market, 30% to materials, and 25% to labor.

The population and income pattern of the country has undergone profound changes. During the past two decades, the population of the Pacific Coast showed a gain of 87%, and the South Atlantic states of nearly 40%, as against a gain of 15% for New England and 18% for the Middle Atlantic States. More people migrated to the Pacific Coast in the last decade than in the preceding 100 years. From 1939 to 1952, income payments to individuals in the South increased by 316%, the Pacific States by 357%, and New England by 190%, as compared with a national average of 262%.

This migratory movement of industry is a challenge to the older sections of the country. The situation should be met courageously and in a realistic manner. Costs must be kept to the competitive level as prices are largely determined at the market place by consumers whose demands are the predominant factor in the migration of industries. Furthermore, a favorable economic climate is vital in order that management may have a fair chance to meet regional competition on an even basis.

Role of Marketing

The number one problem on the economic front is distribution. During the war period the law of supply and demand was suspended, while competition was dormant. The situation is now being reversed. The consumer is king, and business will face the most rugged competitive period in our history.

The productive capacity of American history is approximately double that of the prewar period. Consequently, the concern is not for the volume of goods that can be produced, but rather for the amount of goods that can be absorbed in consumer channels. Since distribution serves as the connecting link between producer and consumer, it holds the key to the future of production and jobs. In the final analysis, jobs are created in the market place as it is the consumer by his preferences who determines the type and amount of goods to be produced. Because of the freedom of choice of innumerable and varied products, the consumer no longer beats a path to the man in the forest who makes the best mousetrap. On the contrary, the mousetrap must now be conveniently available to the consumer.

The great challenge to marketing is to reduce costs. In 1870, distribution costs were only 25% of the consumer's dollar as compared to 75% for production. While no reliable recent data are available, it is believed that distribution costs are well above those of production.

Redistribution of Income

Marketing policies of today need to be adjusted to a revolutionary redistribution of income in this country. The upper income groups' proportion of national income has undergone a sharp decline. In 1929, the highest 5% of income recipients had 34% of total disposable income after taxes. By 1939 their share had declined to 27%, and is now around 18%, according to a recent study made by the National Bureau of Economic Research. Under a system of complete equality, the upper 5% would obviously receive 5% of total income. In 1929 this group was 29 points from the equalitarian level, while now the spread is only 13 points. In other words, in two decades we have gone more than half way toward income equality. This striking redistribution of income is largely accounted for by the rise in wage payments, relative to other forms of income, and to the progressive income tax. Those in the income group under $5,000 receive about two-thirds of the net income after taxes and account for about the same proportion of consumer spending.

Research Opens New Frontiers

Technical progress is the foundation of modern economic civilization and largely accounts for the difference between living conditions today and those in the caveman period. Not only has research made outstanding contributions in providing more goods for more people but also it has been the chief source in creating new jobs. In 1939 it is estimated that about one-third of the number employed had jobs that were based upon inventions, scientific discoveries, and developments. In the relatively short period of the war there were compressed more scientific developments than ordinarily take place in decades, and these in consequence have so expanded the opportunities for work that it is estimated that now possibly one-half of all the employment in the United States is based upon products which come from research laboratories.

The forces set in motion by modern technology and accelerated by the war are irresistible. We are on the threshold of the atomic age with its limitless possibilities. As President Eisenhower in a recent speech before the United Nations said: "The United States knows that peaceful power from Atomic Energy is no dream of the future. That capability, already proved, is here—now—today. Who can doubt, if the entire body of the world's scientists and engineers had adequate amounts of fissionable material with which to test and develop their ideas, that this capability would rapidly be transformed into universal, efficient, and economic usage." A study made by the Atomic Energy Commission indicated that between 1960 and 1970 nuclear power plants will account for 10 to 20% of electric capacity put in place. It is estimated that world reserves of atomic fuel are at least 20 times as great as reserves of coal and oil.

The Road Ahead

There is no royal road to progress. There is no shortcut to an abundant life. But by mobilizing our manpower and scientific resources we can provide for an expanding and vigorous economy. There is always work to be done as long as human wants are unsatisfied. We are the inheritors of generations of invention and science — instrumentalities that can open new trails to the future and make for profitable enterprise and higher living standards.

Conclusion

The problems before us are the most critical in our peacetime history and are a challenge to the best talent we can muster. We are living in an age of insecurity, and this has led to clamor for security which is world-wide in scope. Essentially this quest for security is an attempt to escape from reality which has stemmed from a combination of factors including the business depression, World War II, fear of the atomic bomb, and the overhanging threat of World War III.

But whatever the reason or justification for this search for security, we must never forget that what made this country great was not the craving for security but the search for progress through competitive spirit and courageous initiative. It is the fear of insecurity which makes us seek security. It is the same fear that paralyzes action, destroys initiative, and shrivels men's souls.

What this country needs, what the world needs, is courage to replace fear; vision, to replace selfishness; initiative, to replace the search for security.

Your Head Has a Gold Mine

By ROGER W. BABSON

Calling for increased use of brain capacity, Mr. Babson says this could double the prosperity of the nation. Says hope of attaining greater utilization of brain capacity makes him bullish for the "long pull." Holds trouble is that we have not caught up spiritually with mechanical developments of the "push button" age.

A prominent educational institution was recently presented a life-sized sculpture of my head for its library. This gift came from a group of admirers of my 33 years of writing these weekly columns. Naturally, I am pleased. It has aroused within me thoughts which each reader should consider regarding his head and what it contains!

Roger W. Babson

Why A Gold Mine?

First, my reader, remember you have in your head—as you read this column—the most marvelous machine in the world. It is the greatest creation of God, the workings of which have never been understood by any scientist or physiologist.

Second, psychologists tell us that we American are using our most wonderful brains only to about 2½% of capacity. Some great thinkers have perhaps reached 5% or more; but probably the men who run our Government at Washington or who head our corporations average only about 3% efficiency.

Why I Am Bullish

For the "long pull" the above sad thought should make us very hopeful. If the brain of the average high-school graduate works, even after graduation, at only 2% capacity, think what this would mean if this average of 2% could be increased to 4%! It could result in doubling the prosperity of our nation; doubling both our production and our standard of living. Surely, we all have a gold mine in our head.

Considering the entire world, the brains of its three billion people probably are working at less than 1% efficiency. If this average could be increased only slightly, think what it would mean in better living and a higher life for these billions. In addition, it should result in greatly increased foreign trade for us all. The "chain reaction" caused by a small increase in the efficiency of our brains is beyond the most optimistic dreams.

Need of Spiritual Awakening

This need not mean that we are headed for a mechanistic age. One trouble today is that we all need to catch up spiritually. Brains have made it possible for us to travel faster, hear over long distances, and now—by television—see what is going on anywhere. But, what have the inventive brains and chemical laboratories done to bring us nearer to God? I forecast that a changing attitude is ahead.

Increasing the efficiency of our brains to 4% or more does not necessarily mean inventing new miraculous machines or discovering free power from solar radiation or gravity. I further forecast that use of increased brain power will result in helping us to make correct decisions and will give us the will power to carry out these decisions. This power is our greatest need. Lack of concentration and lack of faith are due to our weak, unused brains. In fact, it is hard to draw the line between physical brain power and spiritual faith power. Health and happiness are dependent upon both.

Final Thought

Once children were considered an asset. Today too many families look upon children as liabilities or luxuries. If you, my reader, come in this latter group, please think of the wonderful brains you can create and nurture by raising and training more children. This may be your best opportunity for serving mankind. Furthermore, the brains of these children may be far better insurance for your old age than any paper policy you can buy.

One more thought. If you are a woman who loses your job during this "push-button" age which we are entering, do not be discouraged. Remember that a far greater opportunity is awaiting you to stay at home and help develop the brains and souls of your family—or to teach, or even "baby sit." These also have great opportunities.

Blunt, Ellis to Admit B. J. Cunningham

CHICAGO, Ill. — Bernard J. Cunningham on Sept. 9 will be admitted to partnership in Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Cunningham has joined the firm recently and prior thereto was with Goldman, Sachs & Co.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange the following:

C. Wilbur Britton, C. W. Britton & Co., Sioux City, Iowa; F. Dodd Sadler, Chicago, Ill., and Ralph H. Yount, Chicago, Ill.

Ingalls & Snyder Admits

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange, on Sept. 15 will admit John S. Shaw, Jr., to partnership. On the same date, John T. Snyder and Warner W. Kent, general partners, will become limited partners. Thorvald F. H. Tenney, member of the Exchange, will retire from the firm on Sept. 14.

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A Plea for Monetary Restoration

change, have increased to $36.1 billion in gold and $20.2 billion in foreign exchange in 1953, mostly dollars. It does not lead to a stronger dollar position if external short-term liabilities increase. Foreign balances are erratic and their increase in size is a source of concern. Indicative of the trend to enlarged gold holdings is that Canada, for example, increased its gold stock from $590 million in 1950 to $1 billion in 1954. England increased its gold and foreign exchange holdings from $1.685 billion in 1952 to $3 billion in 1954, but England will still need about double this amount to become freely convertible. Holland increased from $311 million gold in 1950 to $737 million in 1954. Germany which predicates to go on a 100% gold and dollar parity increased gold and foreign exchange holdings from $500 million in 1951 to $2 billion in 1954. The world's gold and dollar reserves (excl. U. S. A.) increased from $15 billion in 1949 to $23.5 billion in 1954. Mexico devalued 30% with consent of the International Monetary Fund. This would indicate a gold price of $50 per ounce in American or Canadian markets—some parts of the Commonwealth are also on the same parity.

The I. M. F. is not decrying gold anymore. The meeting of the World Monetary Fund in September in Washington probably will be of the greatest importance in attaining the goal of convertibility. Any system of convertibility should extend to the Dollar, and should embrace as many nations as possible. It would be a pity if we would refuse, and convertibility were limited just to the six nations of the European rail and steel community. To maintain American leadership, a national policy based on free world trade and convertibility is essential — the more so, as unlimited U. S. raw-material reserves are a thing of the past.

The Scrambled Status

As we can easily make conditions worse by retreating from a 50 cents monetary unit in the direction of a 40 cents monetary unit, by a superabundant money supply; as we cannot advance from a 50 cents monetary unit in the direction of a 60 cents monetary unit without destruction of our present price and wage plateau (deflation); as by standing still we lose our motive power for real growth, which can only emanate from natural economic forces, and keep the monetary end still open, inviting distortions in both directions; as other countries gain trade advantages over us, we will have to act to stay in competition, and to bring our financial house in order.

Relegating gold to the non-essential category has brought our high-cost economy only more off center. As stabilizing at 53 cents in a flexible economy does not give evidence what happens to the 47% shrinkage, deductive reasoning dictates as the only realistic solution, to recognize the facts, to close the open end and amputate that part of the monetary unit which cannot be restored to life, and conserve the other half for a fresh start. The limp-Standard, domestically off and internationally on, will have to be consolidated. In this manner the equation would be at equilibrium again on a new basis. This is not going to be fatal—we are rigid right now under the effect of the spiral, but sufficient flexibility for compelling reasons will remain. We will have to reform a method—England, where it originated, just failed with, turned around and is gaining substantially ever since—and adopt a system. For example, Germany, among others, (under American guidance) just succeeded with—after having repudiated 93% of its purchasing power (Inflation is partial repudiation, the difference is only in degree not in kind). It is impossible to maintain both the 1934 price of Gold and the 1954 price level indefinitely.

Anent the Gold Price

The fixity of value will have to be defined by Congress. As the purchasing power of the monetary unit is already halved — a fact which cannot be rescinded—the price of gold according to the reciprocal value should about double. The exact price to be set will depend on the prices of raw materials in world markets, without supports, and prevailing purchasing power of our monetary unit in that given moment. Examining the argument that such an adjustment — the devaluation took place already in the past and will only have to be recognized—would instigate a new shower of inflation in the future, expand bank reserves, increase available funds competing for goods—well, the inflation 1.89 times is also already an established fact — further inflation is not going to show up again unless it is willed so.

The real meaning of the readjustment of the lost purchasing power of the monetary unit—to a new basis—for a stable currency —is suppression of inflation, the greatest wrecker of currency. More important than arithmetics, in this respect, is a change of monetary attitudes. The adjustment is a purge of the unwholesome monetary behaviour. The correction might not cause (in itself) a new economic advance, but without the correction no new new advance will be possible. Gold which will be set free by the adjustment, the accretion, should be immobilized, that is, kept in a special Treasury account — in kind — (free gold) just as it was done before. $2.8 billion in bullion were credited to this account in 1934—this balance existed for 13 years—then $1.8 billion were given in gold to the I. M. F. and The International Bank for Reconstruction and Development. $500 million were used as collateral against bought-in Government Bonds in November, 1953; and $500 million are still in this account. The increment could also be used to reduce the short-term debt, or for other neutral purposes. In that way, existing monetary reserves would not be written up, they would just stay as is.

In 1934, at the bottom of a depression, a rise in the price level was desired. At the top of a boom, prices and costs will not tend to rise by themselves, they will churn around and stagnate —and a heroic anticyclical effort will be needed to make them stay at about the present plateau. Gradual deflation would be another possibility, but that would take just as many years as it took to inflate—at 2½% per annum, 20 years. As we are accustomed to do nothing in moderation, it is doubtful that the public will have the patience for this road back, which will be slow, long and rough. Another school of thought is for determining the price of gold in a free market. Gold, just like Janus, has two opposite faces—one face is technical, it is guided by production costs and usage in the arts (jewelry and dentistry) (by the way, production costs rose as much as $10.92 per ounce, but the price of the product, which cannot be manufactured at will, remained unchanged for 20 years — two-thirds of an entire industry fell by the wayside in this pincer movement, but one-third, the fittest low-cost producers, survived —an instructive example of industrial achievement). This technical part would lend itself to price determination by the law of supply and demand—as any other merchandise.

As long as the U. S. stands ready to deliver gold at $35 (1954) an ounce, there is no chance that the price of gold will change much. Markets with higher prices develop only locally under political or economic tension. It is something else to say that our bid of $35 an ounce is a safeguard to the world. A good bid in any market is one in which goods are sold to the bidder, but our bid was not taken up. We lost $2½ billion of gold in the last five years, so the support means little. The world is buying our gold, but not our monetary unit at our price of gold. In distinct contrast hereto, the other face of gold, the monetary metal side, is dimensionless as a fixed point of reference, and can only oe determined by definition, because it is in the nature of a surd —a constant. You cannot determine the length of a yard, any weights or measures—like Pi—or the normal meter in a free market. The last definition prior to 1934 was good for a hundred years.

Gold Production

The World gold production which was $1¼ billion per annume in 1941, is today $875 million, or 35% below the peak. 56% of the new production are still going into hoarding, and only 44% is monetized. Relief can only come from dishoarding, which requires politically tranquil times, or from Russian sales, so far $250 million, which is rather small. U. S. A. gold production, was in 1941, $200 million per annum, and is today $70 million per annum—just the amount needed for the arts (jewelry and dentistry). Canadian production is $150 million per year. South African production is about $400 million per annum and will increase, as gradually new mines will come into production over the next 10 years. The new London gold market is widening in volume and may become the principal trading place.

On the assumption that no action is taken on gold, non-dollar countries will have no choice but to withdraw from us, to fill up their currency stabilization reserves. This could bring about a new international monetary agreement under the Gold Bullion Act—as a compromise — and an adjustment in that moment, purely for our own economic good, would be the practical solution. The real machinery which assured the balance of payments was that of private credit transactions and Interest Arbitrage—little gold was actually shipped, but without the general validity of the gold standard, these functions cannot be reinstated.

Russian Gold

Another argument runs, that any change in the price of gold would benefit a power whose political attitude does not conform to our own. The fact that Russia sold $250 million worth of gold was much publicized and overplayed—we sold in the same period of time, $1½ billion of gold. The Russian gold production is estimated at the national figure of between $70-$130 million dollars a year. The Russian gold stock is guessed at anything between $1.1 billion and $3 billion.[1] The evidence points up the exaggeration as to the Russian gold selling potential. Selling of Russian gold has no malevolent effect on U. S. A., on the contrary, any amount sold by Russia will not be withdrawn here. Mr. Stassen said recently that "we have no objection at all about trade in peaceful goods to Russia, we wish to encourage as much of that category of trade as we can." It is impossible to ease the East-West trade with one hand, and restrict the enhancement of purchasing power (the medium of payment) with the other.

[1] Source: Annual Gold Bullion Revue of Samuel Montague & Co., Ltd., London.

Conclusion

Sound money is being sought in many places, including the U. S. A., as one country after another approaches the stage of convertibility. The world returns to orthodox economic practices and the buyers' market has come to the world temporarily ahead of consumption. The prosperity of the U. S. was not built on high cost of production. Every time when costs of production get out of line with other nations, a readjustment is called for. The world cannot be run successfully on the basis of ever increasing prices and wages, to meet the ever-increasing cost of living.

Instead of the price increasing system, the universal benefits of the price reducing system should be substituted. Price cuts will often produce a larger unit and dollar volume. Periods existed in American economic life where raw materials declined 40% and the output of manufactured goods increased twofold. The export surplus vanished, because other nations are not content to hand out gold at the level of $35 (1954) for high priced goods they should import and pay for, so either the price of gold has to come up, or the level of prices, down. Under no circumstances can the standard by expected to perform to the depreciated currency, the abused medium of exchange has to conform to the standard, like a thermostat.

Up to now, the advancement is in prices, the progress is in the debt, and the bill has yet to be paid. In the first part of the cycle, we witnessed an overabundance of money and a shortage of goods. In the second part, there is still an overabundance of money but also a plethora of goods. In the next part, the surplus purchasing power will have to be absorbed, it could be absorbed by losses, or the dilution could be squeezed out by raising the price of gold; under present conditions it cannot be absorbed by budget-surpluses or repayment of debt. It would be far better to put the price of gold up voluntarily, than undergo the tensions of self-liquidating excesses.

These problems cannot be ignored with safety. Carried through to its logical conclusion, it simply means that seeking to strike a balance without relating gold realistically to the vast increase in debt and money supply, cannot be successful for the longer term. There is no substitute for balance in this world. Adjustment of the monetary unit is the only way to stabilize, without starting a serious recession in the process. It is impossible to escape the after-effects of multiple credit expansion. Standing proven principles on their head is not our salvation—the mechanical interpretation of the quantity theory of money is not going to be the final solution. Can anybody really believe that natural economic forces are no longer of consequence and that we have manipulated ourselves into a state of permanent well-being. Decisive is not the willingness to expand regardless of cost, but the ability to live within limits we can afford. Can anybody be really convinced that the world's paper-money supply is as valuable today, as it was many years ago, and that gold which did not change its purchasing power—if retained as a regulator — is not more valuable. *"Si vis pacem, para bellum"* means not weapons only, but also organizing our strength to bring into existence the conditions on which a future peace might be built.

Let us go back simultaneously with other nations to the gold-standard, but before we do, let us re-define the monetary unit, in keeping with today's price structure. This step will do more to restore confidence and form the basis for a fresh start in natural growth, than all other artificial devices employed, added together. Perhaps the public is better equipped to deal with the situation than is generally believed, if not for the sake of an academic principle, then on the basis of past experience, and simple, common-sense rules. No one can scare a sound economy into a recession. We stand a better chance not to wait until the bottom of a business decline, by recognizing the facts in advance, even if they are unpleasant.

Preserving the American system of a free economy depends on the will to restore the integrity of the monetary unit. A unit in this sense means just that, namely, to adjust the inside off standard value to the outside on standard value. The fact that we lost only 50% whereas other nations lost up to 98% of purchasing power, puts us under obligation to lead in restoration. The step will not be disastrous and experience suggests that the adjustment might foster the natural growth of the nation's economy. Once the misconception of cause (multiple credit expansion) and effect (deteriorated currency) is out of the way, the outlook for the longer-term is bright. America has often amazed the world, let us amaze the world once more by throwing away the economic crutches and stilts. Let us use our resources, our initiative, our creative power, our skill, discipline, and good will, by being leaders to stabilization, to adjustment, and convertibility. We can go right on stimulating ourselves, through hard work and greater efficiency, for a Gold Resumption prosperity. In the field of conservative financial matters, which do not readily lend themselves to experimentation, it might be well to say, as Verdi once said to a young composer, "Go back to the past, there lies your future."

Burkholder Named to Bd. of Ohio Valley IBA

LOUISVILLE, Ky.—J. R. Burkholder, Almsted Brothers, has been elected a member of the Board of Directors of the Ohio Valley Group of the Investment Bankers Association. He succeeds John G. Heimerdinger, Walter, Woody & Heimerdinger, Cincinnati, and will serve a three-year term to begin in December.

J. R. Burkholder, Jr.

T. P. Budd Opens

BURLINGTON, N. J.—Thomas P. Budd has opened offices at 7 West Broad Street to engage in a securities business.

William V. Walsh

William V. Walsh, general partner in Merrill Lynch, Pierce, Fenner & Beane, New York City, passed away at the age of 54 following a long illness.

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As We See It

progressive agricultural program—will bring substantial, lasting benefits to our farmers, our consumers and our entire economy.

"Obviously, its most publicized feature is the flexible price support system which it places into effect. At last our farmers are enabled gradually to redirect our agriculture toward better balanced production—and, at last, our farmers are assured of greater freedom instead of the rapidly increasing regimentation and Federal domination they were sure to suffer under a continuation of the present system of rigid price supports. Those who share my deep feeling about the great importance to our country of preserving the proud independence and initiative of our farming people will share my pleasure in this new law, and will also share my hope that in time nearly all production adjustments can be accomplished through flexible supports instead of direct government controls.

"There will be many other important gains from the flexible price support system.

"It will help achieve a better balanced agriculture by moving more farm products into consumption.

"Over the years, for the farmer, it will mean a healthier, more prosperous farm economy, a more stable income, and a steadier buying power.

"Over the years, for the consumer, it will mean adequate, steady supplies of agricultural products at reasonable prices. Over the years, for all of our people, because of the central economic importance of agriculture, it will mean a stronger national economy."

There are some other features of the new law which the President believes will benefit the farmer, and he is at pains to tell the agriculturist how he will gain as a result of certain other legislation which has come from the present Congress, but the kernel of his offering to the farmer is the "flexible support" principle embodied in the bill, the signing of which he made the occasion for his statement to the public.

It was also this so-called flexible feature that Mr. Stevenson called sharply into question. His words at points are worth consideration. Here is the gist of his argument:

"In this connection I have been interested in the paeans of praise that have arisen from the Eastern Republican press, at least, for the Eisenhower Administration's abandonment of price supports at 90% of parity.

"Although the flexibility is within the narrow limits of 82.5% and 90% of parity, this legislation has been widely hailed as a great victory for the Administration and for sanity. The President the other night even said with, I suspect, more enthusiasm than confidence: 'Now we have gotten a program that will encourage efficient production, will stimulate consumption and stabilize farm income.'

"I wish that were true and that we were at the end of our farm and surplus troubles, but, with more confidence than enthusiasm, I say it is not true; that this Republican farm bill continues the faults of the present legislation, adds no real flexibility and, in fact, will accomplish little or nothing apart from a probable reduction in farm prices.

"I don't believe that the new Republican farm bill will save much money, reduce food costs appreciably, or eliminate surpluses as the Administration and so many newspapers would have you believe. I think it will also hurt the farmers some more, although the relation of the prices he receives and the prices he pays is already less favorable to the farmer than it has been for many years."

We, too, doubt if any solution has been found or applied. The fact is that we doubt if we are even looking in the right direction for a solution. Mr. Stevenson certainly seems to be looking aimlessly around (or worse) for the proper course of action. Here is what he has to say on the subject:

"Perhaps there are other partial solutions at least. We talk about maintaining the price of what the farmer has to sell; perhaps we should give more attention to the cost of what he has to buy. Perhaps there is too much foothill land in grain that ought to be in grass.

"Perhaps the proposals to allow prices to find their level and provide direct payments to sustain guaranteed income, measures which would not produce government surpluses nor conflict with free trade policies, should be re-examined even by scornful Republicans.

"But when I think of the so-called dairy surplus—all that butter, cheese and skimmed milk that seems to unhinge us is the equivalent of only eight quarts of milk a year for each of us—then I note that we have about 200,000,000 more bushels of wheat in our bins than we had in 1952 and I think of all the hungry people I've seen in this world—I wonder if we really have a farm problem at all, or if we just have large defects in the American economy and in world economy."

Of course, the speaker may be right in some abstract sense when he says that the trouble is not really overproduction here but underconsumption in certain other parts of the world, or even in some parts of this country. However, this is a very real world in which we live. We can hardly profit by producing more than can be disposed of for what it costs merely because some one, somewhere in the world would be better served if he were able or willing to buy the surplus we produce. Obviously, the trouble in the backward regions is lack of production there. The remedy will not be found in a day, and when it is found it may prove that these peoples will produce their own food cheaper than we can provide it for them. At any rate, we must meet our problems today, not a decade or two hence.

Our real trouble is that our resources of materials and manpower are in too large a measure being devoted to the production of agricultural crops, and all remedies so far tried or proposed tend to perpetuate this imbalance.

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Role of Investment Banker In Underwriting Securities

ties. In order to obtain such vast amounts of needed capital, it was necessary to maintain the integrity of common stock and the ability to sell it, which absolutely precluded excessive borrowing. The System, therefore, decided that a substantial portion of the total program would be obtained by the sale of convertible debenture issues which would carry conversion terms making their early conversion into common stock attractive and probable. As a result, in the eight years, the System has increased its debt by about $3 billion and its common stock and surplus by almost $3⅔ billion, including the $385 million of retained earnings mentioned previously. It would have been difficult if not impossible for the System to accomplish such a vast financing program if it had started in 1946 with a debt ratio of much more than the 31% which then existed or if it had not, during the period, raised a great deal of common stock capital through the sale of convertible securities which were soon converted into common stock. Actually, of the almost $2 billion of convertible securities issued during this period, all but about $740 million had been either converted or redeemed by Dec. 31, 1953. Despite the large acquisition of common stock capital, the debt ratio has risen over the period so that as of Dec. 31, 1953 it was approximately 39.5%. At the end of 1948, before the attractive conversion features were fully effective, the debt ratio reached a high of 50.5% and since that time has been declining. At June 30, 1954 an additional $380 million had been converted and the ratio then stood at 35%.

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

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

One of the important functions of the investment banker is to help determine bond and stock provisions that are fair for both issuer and purchaser, so as to give protection to the investor who is furnishing the money, and at the same time not to unduly restrict or hamper the company which is raising the new capital. It is the general opinion of my firm that if the company is a good company and well managed, what is best for the company is also best for the holder of its debt or other senior securities and, therefore, that the less restrictive the covenants are, the better the obligation will be for the holder in the long run. There are a number of restrictive provisions, such as those that limit what the owners of the common stock may obtain from the company in the way of dividends or distributions, which will not hamper the company's operation as a whole. On the other hand, provisions such as that the company cannot increase its funded debt unless net current assets amount to a certain dollar figure, or that future bond issues can be sold only if earnings are a certain number of times interest charges, are usually, in my opinion, bad covenants. Their effect is that the company is allowed to incur additional debt in periods of prosperity, when it should probably be selling equity securities, while in periods of adversity, when it cannot raise stock money, it is prohibited from selling bonds —thus preventing the company from raising any new capital to rehabilitate its properties or for working capital at a time when the company may need it most.

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

Preparing Legal Documents

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

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

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

Pricing the Securities

Now, as to pricing the securities.

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

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

Scores Attempted Revival of New Deal Philosophy

August issue of the New England Letter," monthly publication of the First National Bank of Boston, calling attention to efforts by the Conference on Economic Progress to enlist political support for a return to government spending to sustain purchasing power, points out fallacies of the "pump-priming" principle as a force in business recovery.

The First National Bank of Boston, in the August issue of its monthly publication "New England Letter," calls attention to the efforts of the so-called "Conference on Economic Progress" to enlist the support of strong political groups to a return to the New Deal spending philosophy as a means of maintaining and increasing purchasing power and of preserving prosperity. The publication at the same time points out the fallacies of this economic philosophy in the following paragraphs:

"This new group holds that the economy is becoming static and can no longer provide jobs and for the needs of a growing population. It is held that pump priming by the government is essential to have full employment and full production. The proponents contend that national defense and the economic position of the country can become strong by the huge spending of public funds. Accordingly, the Federal budget would not be a basic factor in determining national policies while deficits would be allowed to run until overcome by the growth of the country. We are told that we need not worry about the Federal debt since we owe it to one another, and interest payments merely represent distribution of money within the country. In consequence, the government should see to it that the country at all times has sustained purchasing power.

"The adoption of this theory as a national policy would open wide the floodgates for pressure groups to make raids on the Treasury, for the logical assumption is that if Federal spending creates purchasing power, why place any restraints upon its flow? If this theory is sound, then the more the government spends, the greater the national income. The same kind of financial philosophy has been tried many times in world history. But in every instance it has proved to be like the mirage on the desert, the final outcome being a sharp shrinkage in the value of money accompanied by a broad extension of government control.

"According to the advocates of this program, full employment would be assured by the use of Federal funds to take up any slack. It is not possible, however, to keep all industries and other lines of activity operating indefinitely at full capacity because of the wide variation in demand for goods, particularly for durable goods, and the unwillingness of unemployed workers to shift to unaccustomed tasks or to move to new communities, as has been demonstrated in Great Britain. Furthermore, full employment is inflationary as it tends to decrease productivity and stimulate demand for a steady rise in wages. Under certain conditions the government can of course guarantee jobs. Feudalism and the old slave system provided everyone with work and security in old age, but the price paid was the loss of freedom.

"Under a free society, it is the consumer by his preferences in the market place that determines the type and amount of goods to be produced. Our task is consequently to maintain a high level of marketable industrial production. To accomplish this objective, our economy must be kept within reasonable balance in order that the various groups may be able to exchange goods and services with one another. The closer we come to this realization, the better assurance we have of providing steady jobs and of maintaining a high level of business activity. Economic progress comes largely from the heavy investment in tools and equipment which has made it possible to double real wages in the last 35 years. High productivity is the master key to our superior standard of living.

"The champion spenders of public money try to justify huge outlays on the basis that they will expand the economy and provide for the general welfare. But neither of these objectives can be attained in this way. On the contrary, unsound fiscal policies undermine business enterprise, stifle initiative, discourage risk taking, and cast a dark shadow over the future. The large Federal expenditures for pump-priming purposes in the 1930's did not bring about business expansion but instead caused stagnation, with heavy unemployment estimated at around 10 million at the end of the decade. The only major expansion during this period took place in Federal Government employment.

"The spending theory overlooks the fact that government deficits provide merely a short-term stimulus, principally to consumer goods. In its influence upon the economy, there is a vast difference between public and private debt. The latter, when wisely made, creates jobs and debt is liquidated out of profits, while losses are borne by a limited number of creditors. On the other hand, government debt, with its accumulation of interest charges, constitutes an increasing burden upon business enterprise and consumers.

"An attempt is made to give the impression that the government can, by some hocus-pocus, provide something for nothing or that the wealthy will pay the bills. This is a cruel hoax as can be shown from data issued by the Treasury Department. If net income after taxes of all persons receiving $10,000 and over were confiscated, the amount would be sufficient to pay the current running expenses of the Federal Government for only about five months. It stands to reason, therefore, that, as our tax burdens expand, those in the lower-income groups will not only have to spend an increasing number of days working for the government, but also will be forced to bear the bulk of additional taxes. The Socialists, before they came into power in Great Britain, promised the masses that their taxes would be lightened. Instead, we find that, after having virtually liquidated the wealthy, the tax burden has been increasingly shifted to the lower-income groups. In that country, the proportion of total personal income taxes contributed by those in the income groups under £1,000 has more than doubled since 1938. In the long run, the so-called 'welfare states' are forced to 'soak the poor.'

"In transitional periods, and in times of emergency, it may be necessary for the government to go into debt in order to help bridge the gap to more normal business activity. But this is far different from using public spending as a general policy to increase purchasing power and as an instrument to redistribute wealth and income.

"Furthermore, deficit spending paves the way for big government which, in order to maintain itself in power, tends to penalize the successful, coddle and pamper labor unions, impugn profits, and subject industry to all forms of red tape and regulations. When power is concentrated in a centralized authority that determines the economic, social, and political powers of a nation, then the system of checks and balances is scrapped, and mistakes have a profound and far-reaching influence.

"The use of national defense as a cloak for deficit spending can jeopardize the national welfare. While the government must spend whatever is necessary to safeguard our security, the money must be spent wisely since our financial resources are not inexhaustible, as evidenced by the fact that the Federal debt and taxes are bumping the ceiling. Moreover, our Federal finance is closely interlinked with our national security. This is well understood by the Communists, whose spokesmen have boasted: 'We shall force the United States to spend itself to destruction.' It is vital, therefore, that heroic efforts be made to preserve the national solvency, which together with our technological superiority is the chief bulwark against Communist aggression.

"The American people should ignore the siren voices of those who would make the government the dominating force in economic affairs and who would place no brake on public spending. Instead, wholehearted support should be given to the Administration's policies of establishing sound money and of providing a favorable climate and incentives to private enterprise. Such a constructive program encourages business to assume risks and take the initiative in the growth of the country by expanding the use of research facilities and by investment in plant and equipment. These policies are in line with the American principles that have been responsible for the unsurpassed economic progress of this country."

T. E. Plumridge V.-P. Of Eastern Securities

Theo. E. Plumridge

Eastern Securities, Inc., 120 Broadway, New York City, announces the election of T. E. Plumridge as a Vice-President of the Corporation.

R. R. Baker Opens

SALT LAKE CITY, Utah—Robert R. Baker is engaging in a securities business from offices in the Atlas Building under the firm name of Robert R. Baker & Co.

Form Casper Brokerage

CASPER, Wyo.—Casper Brokerage Co., Inc., has been formed with offices at First and Center Streets to conduct a securities business. Henry W. Stead is a principal of the firm.

John W. Kurth

John W. Kurth, member of the New York Stock Exchange, and a Partner in Andre de Saint-Phalle & Co., New York City, passed away on Aug. 10.

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It Should Never Have Been Started!

interest nor the interest of investors and came dangerously close to an exhibition of persecution."

Here are some of our editorial excerpts when the Commission attempted to pierce the sanctity of confidential communications between attorney and client:

"Then the SEC subpoenaed Harrison and Hull and demanded a report on the conversations between Cyrus Eaton, President of Otis & Co., and his lawyers."

"We, in the public interest, were particularly outraged, for since the earliest time, it was a fixed tradition in the common law that communications between attorneys and their clients were privileged."

"So firmly imbedded in the common law was this tenet that Blackstone described it in this simple way:

'No counsel or attorney entrusted with the secret of the cause by a party shall be compelled or perhaps allowed to give evidence of such conversation or matter of privacy as came to his knowledge by virtue of such trust and confidence'."

"What would become of the system of jurisprudence in which freedom was founded if communications between a lawyer and his client were not sacred, sealed and privileged?"

"Without such privilege, how could any defense be adequately prepared? How could any person be safe in his life, liberty, property and pursuit of happiness? What significance could there be to any bill of rights?"

As we fully expected, the Court upheld this privilege, and the Commission's attempt to pierce it was unsuccessful.

When the Court of Appeals finally decided this private controversy and the SEC nevertheless still refused to let go, we said:

"The extent to which the Securities & Exchange Commission can be a relentless persecutor is established by its refusal to drop the Otis & Co. case despite the fact that the Kaiser-Frazer Corporation financing dispute with Otis & Co. has been finally determined by our courts."

To sum it up, the SEC has belatedly exonerated Otis & Co. Undoubtedly its hand was forced to a large extent by the relevant determinations of the courts, wherein the Commission would have done well to leave the controversy in toto without meddling.

We like to feel that the change in personnel of the Commission during the pendency of this long drawn out litigation also contributed to the result.

Here was an historically unforgettable dispute.

The chronology of the needless part played by the SEC and the NASD from Aug. 11, 1948, when the Hearing Order was issued, to Aug. 24, 1954, six years later, when the Dismissal Order was entered, staggers the imagination and beggars belief. The flood of unnecessary petitions, motions, testimony, hearings, arguments, etc., etc., just leaves one bewildered.

It would be interesting to ascertain the immense cost to the public of this SEC junket and this at a time when the Commission was complaining that it was understaffed and that its appropriations were grossly inadequate.

This was a vast public penalty for meddling.

An ordinary respondent would have been helpless against this surge. Fortunately, Otis & Co. was in a financial position to fight, to engage expensive lawyers, and to give no ground until the final outcome.

The lesson has been costly for the people. We hope it has been a lesson for future SEC guidance.

It is over. The controversy with all its horrendous cost is at rest.

It should never have been started!

Texas Rail Official Optimistic

R. Wright Armstrong, Vice-President, Fort Worth & Denver Railway Co., says industrial growth of Texas and the Southwest augurs well for continuance of road's traffic volume and earning power at high level for indefinite future.

The following statement by R. Wright Armstrong, Vice-President of the Fort Worth & Denver Railway Co., was received too late for inclusion in our issue of Aug. 26, wherein we published a considerable number of official forecasts by various railroad executives and others regarding the outlook for individual carriers and the railroad industry in general.

The Fort Worth and Denver Railway, which is the Texas portion of the Burlington Railway System, essentially depends upon agriculture and forest products for the bulk of its traffic.


R. Wright Armstrong

Traffic volume in its immediate territory naturally has suffered from the three-year drought throughout the Southwest; however, some late season rains probably assure good cotton and maize crops in 1954.

Contrasted with the 1,356,031 bales of cotton produced in its territory during 1953, the forecast of 1954 is 1,000,000 bales.

A little realized but nonetheless important factor in the development of traffic in the Southwest is the lack of demand for export cotton and grains. With demand abroad for American-produced cotton and grain considerably less than it was a few years ago, it is to be expected that even with good production there will not be the traffic movement that otherwise would be the case.

On the other hand, the industrial growth of Texas and the Southwest, especially in the Houston-Galveston and Dallas-Fort Worth metropolitan areas, and the consequent development throughout West Texas and the Plains country of the Texas Panhandle, lend much promise for the future.

So it is expected that traffic volume and earning power of Forth Worth and Denver Railway will remain at a good level for the indefinite future.

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The Security I Like Best

sented by both Argo Oil and General Crude Oil at the same price range.

The Hiawatha Oil & Gas Company is controlled by the Benedum interests of Pittsburgh, dominant factors in the affairs of the Plymouth Oil Company, whose stock is traded in on the New York Stock Exchange. At the close of 1953, Hiawatha owned or had an interest in 285 oil and gas wells located in eight different states, net production for the year accruing to the company being 402,525 barrels, average price received being $2.60 per barrel. In addition to its producing properties, Hiawatha held varying interests in leases covering 357,-130 acres of undeveloped acreage in North Dakota, Texas, Wyoming, Colorado, Pennsylvania, Louisiana, Montana, Kentucky, Ohio and New Mexico. In September, 1953, Hiawatha unitized its interest in wells in the Diamond "M" Field and the North Snyder Field, Scurry County, Texas, with other operators in the area, for a fractional interest in the whole field. The purpose of this unitization was to obtain the greatest ultimate recovery of production from the reservoir underlying both fields. Engineering estimates indicate that through the utilization of modern recovery methods, production from Hiawatha's leases will be approximately 2,000,000 barrels more than originally forecast. In the New Haven Field, White County, Ill., a water flooding project was begun in 1953, which should be fully realized in 1955. It is estimated that the potential recoverable reserves will be 550,000 bbls. of which Hiawatha owns a 43¾% interest. During 1953 a 20-year contract was entered into for the sale of gas reserves from the East White Point Field, San Patricio County Texas, to Reynolds Metals Company at an initial price of 13½ cents per MCF with an escalator price clause providing for an increase of .0015 cents per MCF each year thereafter.

During 1953 a total of 22 wells were drilled, in which Hiawatha had an interest, resulting in 12 oil wells, one gas well and nine dry holes. At the annual stockholders' meeting held June 1, it was stated that crude oil reserves were estimated to be approximately 10,000,000 barrels and natural gas reserves 100,000,000,000 cubic feet, which may well be augmented by new discoveries during the current year.

In January, 1954, a gas well was completed in the Greenwood Field, Caddo Parish, Louisiana, from the Cotton Valley formation at a total depth of about 8,900 feet, which, from all indications, will greatly increase the value of these leases. Hiawatha owns a 43¾% interest in this well, and it is estimated that Hiawatha, in this particular acreage, has an underlying gas reserve of 70,000,000,000 cubic feet in the Cotton Valley formation. Since January a total of five good gas-distillate wells have been completed in this field; with three more in the process of drilling. It is expected that Hiawatha will eventually have an interest in possibly 10 wells in this area. A contract has been entered into for the sale of this gas to the Arkansas Louisiana Gas Company at a price of 10 cents per MCF. Also it is estimated that with each million feet of gas, these wells will produce 35 to 40 barrels of distillate, which is readily saleable at a price of approximately $3 per barrel. Income is being realized from the production of these wells at the present time.

Also since the first of 1954, Hiawatha acquired a 50% interest in a lease of approximately 370 acres in Stonewall County, Texas, the remainder being owned by the Benedum-Trees Oil Company. Five oil wells have been completed on this acreage. In Lafayette County, Ark., Hiawatha acquired a 50% interest in about 400 acres, the other 50% being owned by the Benedum-Trees Oil Company. In April, 1954, an oil well was completed on this lease and another is in the process of drilling. Hiawatha and partners plan to develop this acreage as rapidly as possible. As noted from their leases Hiawatha has considerable interest in the Rocky Mountain region and has, over the last year, concentrated on getting these leases evaluated. Contracts have been signed under which it is hoped to have five wells drilled, free of cost to Hiawatha and its partners, during 1954.

Melben Oil Company, of which **Hiawatha owns 25% of the outstanding capital stock,** together with the Ohio Oil Company, owns in equal proportions approximately 81,470 acres of leases acquired from the State of Texas on submerged lands in the Gulf of Mexico. Melben also owns a full working interest in leases affecting an additional 31,360 acres of these submerged lands. During 1953, legislation was passed by the Congress of the United States confirming the title of the State of Texas to all submerged lands lying within approximately 10½ miles of the Texas coastline. Somewhat in excess of 50% of the Melben-Ohio acreage is located within 10½ miles from the coast of Texas. Congress ratified all outstanding leases, whether within or without the 10½ mile limit. Negotiations have been completed with the Pure Oil Company for the drilling of wells on two of Melben-Ohio's known seismic structures for a one-half interest in the affected acreage, and I understand drilling operations were started in August.

Melben Oil Company and Gulf Refining Company own a one-half interest each in approximately 800,000 acres of submerged and other lands leased from the State of Mississippi and approximately 5,000 acres of leases from the State of Louisiana. At the present time, a well is being drilled on such acreage for a one-half of Melben-Gulf's interest in a block of acreage in the vicinity of the well.

Hiawatha's capitalization consists of 1,000,000 shares common stock par $1 and 53,583 shares 5% cumulative preferred par $10 authorized and outstanding. Of the common stock the Benedum interests own a substantial majority. Balance sheet at close of 1953 could have been a bit stronger, but as earnings in past years have been applied to further exploration, results are beginning to show up strongly in 1954, and should be reflected in future financial statements.

From the above it is evident that Hiawatha operates with the best known names in the oil industry, and from the record established so far in 1954, a radical change in its fortunes is taking place this year, which sooner or later should be reflected in the market price of the stock. To my knowledge during the past three years, the low on Hiawatha was about five, the high 11½.

Oil share prospects are being offered to the public at any where from 50 cents to $5 per share with a statement by the promoters that they will use the investor's money to try and find oil or gas. Regarding Hiawatha, and considering their widespread acreage interests from the Williston Basin to Tidelands, I do not know of a similar situation where an investor can buy into partnership, at a relatively low figure, with one of the most successful independent oil operators in the country, the Benedum interests; witness Plymouth Oil.

It is my thought that investors who will "look through the trees and see the forest," can possibly duplicate their success in Argo Oil and General Crude Oil by acquiring some Hiawatha Oil & Gas common stock at present levels of 7¾-8½. The stock is traded in the Over-the-Counter market.

Securities Salesman's Corner

By JOHN DUTTON

During periods of rising markets, when securities are in a long upward price trend, it is a historical fact that gradually good values become over-priced and then greater care must be exercised in selecting offerings to be made at retail to the investing public. The same condition holds true regarding underwritings and secondaries. As the demand for securities increases during periods of increasing confidence and rising markets, there is a decreasing supply of attractive offerings and a concomitant increase in speculative situations.

For the retail firm and the individual salesman, such times should be used to up-grade portfolios instead of weakening them with second and third grade issues. No one is going to help a salesman rebuild a clientele if he has been a good fellow and gone along with the tide, selling securities that are overpriced, or representative of weak companies. In fact it is not necessary to sell new issues, and go into secondary offerings, in order to obtain good merchandise for your customers. If the market doesn't provide the merchandise you want to sell, then go find it yourself.

Your Customer Comes First

There is a very intangible asset that any salesman of securities must have if he is to go on year after year servicing an investment clientele. That intangible is the implicit confidence that his customers have not only in his honesty but in his judgment. I have seen some of the best investment accounts ruined because a salesman suggested the purchase of less than 1% or 2% of the account in some speculative, non-dividend-paying security that went off seriously in price, or worse still went up the flue. One bad speculation can ruin a customer's confidence in the salesman's ability.

By this, I am not arguing that "speculations" *per se* should be eschewed.

However, there are investments, conservative and otherwise, and there are various degrees of speculations that your customers can acquire. But it is up to you to winnow the wheat from the chaff. There is no reason at all why any retail firm, or salesman, should go along blindly with the times and trade out better investments for weaker ones. This has happened many times in the past and the customers don't find it very comfortable.

The other day I was looking over a list belonging to a prosperous dentist. His wife would just about shoot him if she knew that he would buy any more common stocks. Anyone could see from the list that he bought most of the second and third grade securities he has been sweating with all these years back in 1946. That was the top of the last big bull market and it was the peak of just such a period as we many be now moving into.

Good Customers Are Made

You have to educate investment clients and this is a slow process. But if you keep to fundamentals and stick to your guns you will find that after a while they will begin to see the light. If a client believes that he is an investor, show him that he has to act like one. I don't think any customer that you may have will ever resent the fact that you talk to him seriously about the most important things first—the safety of his capital—the fact that you can't keep on year after year getting a 7% return when money rates on sound investments are 4%. By holding your line with your customers first of all, and by making certain that if new issues are offered to you that they measure up to your high standards, you'll stay in the investment business—not only this year but next.

Chicago Mun. Club To Hold Field Day

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold its annual field day on Friday, Sept. 10, at the Knollwood Club, Lake Forest, Illinois. A cruise, cocktails and dinner will precede the outing on Sept. 9 at the Belmont Harbor Anchorage of the Chicago Yacht Club.

Registration fees for guests $35; non-resident member $20; member $10. Checks should be made payable to the Municipal Bond Club of Chicago.

George B. Wendt, First National Bank of Chicago, is general Field Day chairman. Other committee members are:

Arrangements: Floyd W. Sanders, White, Weld & Co., Chairman; Alan H. Bede, Julien Collins & Co.; Henry J. Jensen, Eastman, Dillon & Co.; Henry W. Michels, Jr., Harris Trust & Savings Bank; Vincent Newman, Allan Blair & Co.; Fred T. Rahn, Illinois Company of Chicago.

Reception: Elmer G. Hassman, A. G. Becker & Co., Inc., Chairman; Francis R. Schanck, Jr., Bacon, Whipple & Co.; Walter J. Fitzgerald, Jr.

Entertainment: George S. Channer, Jr., Channer Securities Company; Joseph P. Condon, McDougal & Condon, Inc.; Richard J. Brashler; Walter E. Lang, Harriman Ripley & Co., Inc.,; Henry W. Meers, White, Weld & Co.

Dinner and Refreshments: Warren S. Yates, Merrill Lynch, Pierce, Fenner & Beane, Chairman; Ronald M. Coutts, John Nuveen & Co.

Transportation: Harold H. Spink, A. C. Allyn & Co.; Linus F. Groene, A. C. Allyn & Co.; Ray Olson, E. Ray Allen & Company, Inc.; Arthur Tresch, Smith, Barney & Co.

Special Event 4: Wm. J. Corbett, Jr., Burns, Corbett & Pickard, Chairman; Hugh W. Blair, Halsey, Stuart & Co.; John T. Boylan, A. G. Becker & Co., Inc.; John F. Detmer, Blyth & Co., Inc.; Philip F. Koenig, C. F. Childs & Co.; Charles E. Lundfelt, McCormick & Co.

Prizes: Lee H. Ray, Continental Illinois National Bank & Trust Co., Chairman; J. N. Faust, Kidder, Peabody & Co.; L. M. Rieckhoff, Northern Trust Company.

Golf: Carl H. Allman, Lee Higginson Corporation, Chairman; Harold W. Abele, L. F. Rothschild & Co.; Charles Wilson, Smith, Barney & Co.

Softball: Milton J. Hayes, American National Bank & Trust Co., Chairman; John H. Kramer, Harriman Ripley & Co., Inc.; Justin T. Ottens, Salomon Bros. & Hutzler; Edgar F. Grimm, F. S. Moseley & Co.

Tennis: DeWitt Davis, Welsh, Davis & Co.

Charles W. Baker Jr.

Charles W. Baker, Jr., of Laird, Bissell & Meeds, Wilmington, Del., passed away Aug. 26 at the age of 53.

Mutual Funds

By ROBERT R. RICH

INDUSTRIES whose outlook was long adjusted to an annual rate of 17 births per 1,000 are now gearing their estimates of future sales volume to the current birth rate of 24 per 1,000, as 1.5 million potential customers are being added each year above the normal expectation.

Among the principal beneficiaries of the increased rate of population expansion, according to a survey by Robert S. Driscoll, Vice-President, Affiliated Fund Inc. are the drug, food, shoe, container and entertainment industries. Other industries, while not contributing directly to the young consumer, are importantly influenced by their greater number.

Mr. Driscoll points out: "Construction of residential housing, schools, hospitals and other public facilities is or will become acute in many localities as the younger portion of the population matures. Greater use will be made of motor cars as more families acquire a second car to meet their needs. Consequently, more toll roads and greater consumption of gasoline may be expected.

"Electric light and power companies are finding their residential load increasing through the heavier use of electricity resulting partially from the 24 hour care of children and the extensive use of appliances."

NET ASSET value per share of Futures, Inc., a mutual fund dealing in commodity futures and commodities, has more than doubled in the past 11 months, Richard D. Donchian, President, announced.

Asset value per share at the end of the Futures Inc. fiscal year on Sept. 30, 1953 was $1.65, and rose to $3.41 on Aug. 28, 1954. Mr. Donchain believes that this is the first time that any mutual fund has doubled in price within a year's time.

A short position in coffee futures during the past two weeks has been responsible for more than 75 cents per share of the gains. Earlier this year profits were also made in cocoa, coffee, soybeans and lard on the long side, and in onions on both sides of the market, first long, then short.

"PRICES of common stocks have begun to reflect the growing expectation of improvement in business activity," shareholders of Group Securities were told in a quarterly message.

"Interest has spread and a number of stocks which have been neglected for years have recently begun to improve in price. In general, in our opinion, the fear of a serious business setback which was so broadly held until recently has now been largely dissipated.

"It is beginning to be recognized by the investing public that the highly satisfactory earnings power of many leading companies is not transient, nor necessarily dependent upon armament activity, but solidly established and worthy of appraisal as such."

As illustrations of the values obtainable in today's market, shareholders were given figures on the stocks held for the company's Common Stock Fund and Capital Growth Fund.

THE ANNUAL Report of Keystone Low-Priced Bond Fund B-3 noted a gain of more than 8% in per share net asset value during the fiscal year ending July 31, 1954. This was a somewhat better capital performance than shown by the average low-priced bond in the class, while the Fund's gross earnings have continued at a higher rate than those of the class.

The Fund continues to be the second largest of the Keystone Funds, with total net assets on July 31 of $48,472.585—a 12.5% increase over a year earlier.

	July 31, '54	Jan. 31, '54
Total net assets	$48,472,585	$45,230,752
Shares outstanding	2,558,948	2,505,290
Number of shareholders	20,415	20,075

THE ANNUAL Report of Keystone Lower-Priced Common Stock Fund S-4 reported an increase in per share net asset value of more than 21% for the fiscal year ending July 31, 1954.

The Report also noted that the Fund has consistently outperformed its class index and other low-priced stock indices both in the 12 months just passed, and in the longer period since the June 1949 postwar low.

The Fund's total gain of 177.82% since June 1949 illustrates this point: During the same period Standard & Poor's 23 Low-Priced Stocks and Barron's 20 Low-Priced Stocks registered gains of only 75.98% and 85.97% respectiveiy.

	July 31, '54	Jan. 31, '54
Total net assets	$9,789,558	$8,222,572
Shares outstanding	1,334,317	1,281,639
Number of shareholders	6,122	5,929

The combined net assets of the 10 Keystone Custodian Funds totaled $260,176,000 on Aug. 30, 1954.

THE SIX-YEAR-OLD Television-Electronics Fund today crossed the $50 million mark in resources for the first time to culminate a $21 million increase since the start of the calendar year.

The announcement was made by Paul A. Just, Executive Vice-President, Television Shares Management Corporation, national distributors of the Fund.

Mr. Just reports that the Fund's resources now amount to $50,109,143 as compared with $28,835,000 on Jan. 1, 1954. By way of striking contrast, Television - Electronics Fund closed its first fiscal year in 1948 wtih assets of but $290,399.

The mutual fund executive attributed the rapid development of the Fund into a multi-million dollar company to an aroused investor interest in recent years in the fields in which the Fund concentrates—electronics, nucleonics and television.

"In the past nine months, for example," Mr. Just pointed out, "the Fund has been adding new shareholders at a record rate of 1,500 a month. More recently this rate has accelerated. In July," he noted, "the Fund added shareholders at a rate of about 100 a day. It is especially noteworthy that these new shareholders are located not only throughout the United States, but in a number of foreign countries."

DAVID B. OGDEN and Landon T. Clay have joined Massachusetts Investors Trust, the nation's oldest and largest open-end investment company, as industry specialists in the company's research department.

Mr. Ogden, until recently, was assistant treasurer of the University of Rochester and previously was in statistical work with Kidder, Peabody & Co., in Boston.

Mr. Clay was formerly a senior analyst in the security research department of the Bank of New York, specializing on research in the electrical equipment, metals, paper and publishing industries.

NALU-NAIC Hold First Meeting

The initial meeting of the newly created Joint Committee representing the nation's investment companies and the field forces of the life insurance business was held in New York City last Tuesday at the Columbia University Club.

The purpose of the meeting was to establish plans for developing a program to be sponsored jointly by the National Association of Life Underwriters and the National Association of Investment Companies. Chief aim of the joint effort is to increase mutual understanding of the operations, objectives and services of the two businesses so that field representatives of each will be able to render better service to their clients.

The initial meeting of the Joint Committee was devoted to outlining the subjects to be studied as part of the Committee's program.

Those attending on behalf of the National Association of Life Underwriters were Benjamin D. Salinger, David B. Fleugelman, Wilfrid E. Jones, Stanley J. Lonsdale, Lester O. Schriver and Merle G. Sommers.

Those attending as representatives of the National Association of Investment Companies were Edward B. Burr, Robert E. Clark, Albert R. Hughes, John M. Sheffey, William F. Shelley, Morris M. Townsend and Charles M. Werly.

Group's Sales Increase 64%

In the nine months ended Aug. 31, 1954 sales of Group Securities, Inc. increased to $11,855,517, a gain of 64% over the corresponding 1953 period, Herbert R. Anderson, President, stated yesterday.

August sales, he said, were up 206% over last August.

The Fund reported assets on Aug. 31 of $64,616,406, compared with $52,493,318 a year earlier, an increase of 23%.

Dividends paid during the period from net earnings of the Fund amounted to $2,372,973, compared with $2,150,785 for the 1953 period.

It Pays to Squeak

Sent in by a Reader

I hate to be a squeaker,
I had rather be at peace;
But the wheel that is a squeaker
Is the wheel that gets the grease.

It's nice to be a peaceful guy,
And never hard to please;
But the dog that does the scratching
Is the one that sheds the fleas.

I hate to be a kicker;
It means headaches for the show.
But the kickers in the chorus
Are the ones that get the dough.

The art of soft-soap-spreading
Is a trick that palls and stales
But the guy that swings the hammer
Is the guy that drives the nails.

Without putting notions harmful
In anybody's head
The babe that squawks the loudest
Is surest to be fed.

—From "Editor & Publisher"

Continued from page 5

Observations . . .

company at $80 per share and still leave it with the huge net working capital of $478 million.

Or simply a special dividend of $15 per share could be distributed directly to the stockholders.

Value will out!

Investment Company Policy Test

This Montgomery Ward proxy battle will also bring to light investment company policy regarding their managements, taking of an affirmative stand for one side or the other. Mr. Wolfson feels that a trust's failure to vote its stock comprises unfair disfranchisement of its own shareholders.

While the current statement by H. I. Prankard, President of Affiliated Fund, Inc. and of American Business Shares, Inc., which together own a highly-prized 115,000-share bloc of Ward stock, as well as a communication from C. A. Johnson, President of Central Illinois Securites Co., evince constructive interest in the possibility of bringing about management improvement, the willingness of fund management to take a stand in a controversial situation has in the past been the exception rather than the rule. As pointed out by this columnist previously, fund managers have generally disclosed an aversion to participation in situations involving intra-company dissension—even subscribing to the "if-you-don't-like-it-sell-your-stock" philosophy.

Mr. Merrill Griswold, Chairman Massachusetts Investors Trust, in a communication to this column of June 7, 1951, pointed out that it is too late for any "outsider," including the investment company, to speak up at the annual meeting after the proxies are in. But this difficulty is obviated in a situation like the present incipient proxy contest, wherein the funds' influence can be thrown in, in advance. In that case Mr. Griswold's philosophy expressed elsewhere* seems to be revelant as an excellent rule of conduct:

"It is my belief that investment companies should act deliberately and with firmness in controversial matters. We should be energetic and sincere. We must uphold management when we believe them to be right and oppose them when we feel they are wrong. Our role is neither that of professional dissenters nor that of constitutional whitewashers, but of honest and careful protectors of the interests of our stockholders."

A Practical Laboratory in Corporate Finance

In several fundamental phases of corporate finance will the Wolfson-Ward contest furnish an epochally important laboratory. For example, in the operation of controversial corporate voting procedures will this proxy fight provide a significant test. This is particularly true in view of the assurance by Mr. Wolfson that "Win, lose, or draw the first year, we will stick with the fight."

The full-dress test here will arise through the existence of cumulative voting combined with the stagger system.

(Under cumulative voting each voting shareholder is entitled to votes equal to the number of his shares multiplied by the number of directors to be elected. He may bunch all his votes to cast them for a single director, or distribute them among several candidates, as he pleases. For example, at a meeting to elect 10 nominees, a stockholder owning one share thus posseses 10 votes which he may bunch on fewer than the 10 candidates, or even concentrate all of his 10 votes on a single nominee. Thus, if there are 100,000 voting shares in a corporation, and 10 directors are to be elected, a stockholder or stockholders, with 10,000 shares is assured of the power to choose one director. Contrastingly, under the more usual straight voting, a simple majority of the votes elects an entire slate.

Under the stagger system, only a part of the board stands for election in any one year. In the case of Ward's, the election is limited to three individuals.)

The staggered board constitutes an effective method for limiting the effects of the cumulative voting system—by reducing the number of candidates for election each year, and by thus raising the number of votes required to elect each director annually. Part of the past agitation against Mr. Avery has stemmed from the director-stagger system which he instituted in 1950 to limit the effectiveness of the Illinois law's mandatory cumulative voting provision.

From Mr. Wolfson's interest, the stagger system constitutes a roadblock of delay in electing a new slate; but the cumulative voting law does not seem to hurt him. He hopes that the "undemocratic" stagger can be eliminated by his lawyers' ingenuity in time for his use; and furthermore, he promises to remove it from the company permanently should he win control.

The Stock Option and Management Incentive

Also in here relevant to the broad field of corporate finance is the question of the use of the stock option. Mr. Wolfson is opposed to this instrument for executives' incentive motivation. This opposition stems from his conviction that *no one* should have the privilege of a specially advantageous stock buying price. For the executive's incentive, Mr. Wolfson does instead believe in the propriety of liberal bonus technique.

To accomplish the all-around advantage of stockholding, he will prescribe the ironclad rule that all officers shall own stock in a minimum amount equivalent to one year's salary, provided that he has been in the business for two years.

Also following Mr. Wolfson's principle, the rule will be instituted that in the event of a dividend cut at any time, officers' salaries shall be cut in proportion, and not subsequently raised until the dividend is restored.

* * *

Thus, we see that, far from merely providing a show for the public's enjoyment, the incipient Montgomery Ward situation actually embodies many fundamental principles of investment and corporate finance.

*"The Investment Company—Its Responsibility as a Public Stockholder,"; address before the Twenty-Sixth Annual Convention of the National Association of Securities Commissioners, Cincinnati, Ohio, Sept. 1, 1943.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Government securities appear to be entering what some money market specialists call "a stabilization area," which is not an uncommon happening when the market is getting ready for new financing by the Treasury. The October operation, which will be for new money, is getting more attention now from the "money market group," but the opinions in the financial district appear to indicate that no startling developments are looked for in any sections of the list because of a long-term new money issue of Governments.

The short-term issues are still in demand, although the uptrend in yields of these securities seems to have about run its course. In the intermediate-term sector there is considerable interest, with the 2½% due Nov. 15, 1961, according to some, a very attractive issue. The six-months holding period has passed for this security and the yield is considered to be favorable. The longer end of the list is also getting attention, with pension funds and the smaller commercial banks the important buyers.

Long-Terms Acting Well

The more distant Government obligations, in spite of the talk about a new money issue in the longer-term classification, are acting very well. To be sure, volume and activity in this section of the list have been slowed somewhat, but, on the whole, reports indicate that a satisfactory amount of business is being done, especially when the time of the year is taken into consideration.

Money market specialists, in not a few cases, are of the opinion that a new issue of long-term bonds would have very little effect upon the presently outstanding obligations. It is being pointed out that an offering of a long-term bond by the Treasury would most likely take into consideration the current pattern of the money market, and it would be tailored to meet these requirements. Based on this kind of thinking, a number of investors in Government securities are continuing to put money to work in the presently outstanding longer-term Government obligations.

Intermediates in Strong Demand

It is reported also that some rather important buying is being done in the 2¼s of 1959-62 as well as the earlier maturities of the 2½% bonds, such as the 2½s of 1962-67, 1963-68 and 1964-69s. It is indicated that although the commercial banks have been sizeable buyers of the aforementioned securities, non-bank investors have taken the lead in the acquisitions of these securities. The commercial banks, however, appear to have been and still are, according to advices, the principal buyers in the 2½s due Sept. 15, 1967-72. In this issue, the smaller out-of-town deposit banks are reportedly the volume buyers.

Corporate Market Attracting Funds

Pension funds continue to be the big factors in the longer-term end of the list, even though there has been a minor decrease in the purchases of Government securities by these investors. It is reported that some of the money which would have gone into the higher yielding Treasury obligations has been put to work in corporate securities, especially those bonds which have declined in price when the syndicates were terminated. The closing of many corporate bond syndicates is clearing the decks for the fall offerings, which will bring into the market a sizeable amount of merchandise. Tax-exempt financing is also expected to present a full calender as the fall of the year approaches.

Loan Trend Favorable

The loan trend continues to be downward and, in spite of a seasonal pickup which should be making itself felt soon, there appears to be less concern now than has been the case in the past about commercial loans being much of a money tightening factor during the balance of the year. As a matter of gossip, there appears to be more than a passing amount of talk about the prime bank rate, and when it will be officially pushed under the 3% level.

Although the commercial banks in the large money centers do not appear to be too flush as far as surplus funds are concerned, there seems to be no shortage of loanable funds, and this is having an influence upon the rates which are being charged for some loans. The out-of-town deposit banks have been putting money into the Government market because of the down-trend in loans.

The easy money policy, which has been in effect for quite a time now, is beginning to have its effect upon the "refundable sector" of the money market. Not only are corporate bonds being called and replaced with lower coupon issues, but preferred stocks are also being refunded in a like manner. It was not so many years ago that the easy money market conditions resulted in a large number of refunding operations being carried out in the corporate field.

Former Soda Dispensers Has Wall St. Member

The Ancient and Honorable Guild of Former Soda Dispensers now boasts a Wall Street member—Robert Wells Fisher, Vice-President of the brokerage firm of Blyth & Co., Incorporated.

Robert W. Fisher

According to Dan Mahoney, Executive Secretary of the brotherhood of former soda dispensers and an executive of the Lily-Tulip Cup Corporation, Mr. Fisher lent his soda fountain talents to the Rex Drug Company in Salt Lake City, Utah in 1918 for the munificent sum of $3 per week!

In those days Mr. Fisher specialized in banana splits and coffee float "dividends"! He had never heard of "stock splits" or "quarterly dividends"!

Asked what he had learned from dispensing sodas, Mr. Fisher said, "Two things—one, the customer is always right; two, the boss must make a profit"!

Mr. Fisher, who shares with other members of the Ancient and Honorable Guild, the vow never to use the word, "soda-jerk," feels that soda fountains today are not nearly so much fun as they were in 1918. They're too "mechanical" and the old, tempting odors of sarsaparilla and chocolate syrup are gone. Nevertheless, he recommends that every one have at least one ice cream soda a week.

With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Gordon R. Beach is now with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

With Managed Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul Secor has become connected with Managed Investment Programs, 41 Sutter Street. He was previously with Sutro & Co. and Hannaford & Talbot.

Continued from page 4

The State of Trade and Industry

at least do not report business any worse. (2) Inventory correction, which had been a depressing factor for many months, is leveling off. Except for warehouses, steel mill customers generally have their stocks whittled to desired size. (3) Plant-wide shutdowns of steel consumers for vacations are virtually completed. (4) Warehouse sales, a fairly reliable barometer of business at mill level, are up substantially. Warehousemen are now confident their sales will continue to improve and (5) Improvement is fairly general, not confined to a few items or companies. It is noted in some of the products that had been lagging most, such as stainless steels and carbon and alloy bars.

Despite reduced inventories, customers can now get such prompt delivery that they are in no hurry to place orders. Delivery within two weeks can usually be obtained on common sizes of plates, structurals, hot-rolled sheet and strip, hot-rolled bars, some wire products and at least some cold-rolled strip.

Steels base prices remain firm, although mills are absorbing substantial amounts of freight and are making quality concessions in some cases.

Domestic car and truck production last week plunged to a new five-day low for 1954, "Ward's Automotive Reports" stated.

Volume—110,912 units—was off 5.2% from the previous week and found Chrysler Corp. and Studebaker completely shut down for model changeover and General Motors Corp. and Ford posting modest declines.

"Ward's" said that while domestic August car output will reach 435,000 units, further model changeovers will slash September to 267,500 completions, with October showing little, if any, improvement.

Production declines lined up for September range from 48% at General Motors Corp., car lines to 74% at Chrysler Corp. and 17% at Ford Motor Co., with only the latter producer unaffected by model changes.

Meantime, the statistical agency predicted up to 150,000 and perhaps 200,000 care are expected to be lopped off domestic new car field stocks by the September-October changeover shutdowns, paring inventories to the lowest point since early 1953.

"Ward's" said that the industry completed its 4,500,000th vehicle of 1954 on Friday of last week, with Chevrolet reaching the 1,000,000-unit milestone. The 1,000,000th Ford of the year is scheduled for completion this Wednesday. The 2,000,000th General Motors car will leave the assembly line Monday (Aug. 30).

The past week's decline in passenger car output came from month-end fall-offs at Pontiac, Oldsmobile and Buick, plus Dodge shutdown Wednesday for model changeover and continuation of a strike at Mercury's St. Louis plant.

In production last week among the Independents were Hudson, Nash and Packard. The Dodge shutdown, however, found all four Chrysler Corp. car lines closed tight, with Chevrolet and Pontiac working towards similar suspension in mid-September.

Canadian production, meanwhile, was cut in half by General Motors' closing of car assembly lines. Ford Motor Co. was the only active car maker and built an estimated 2,025 passenger cars, while the combined industry truck count hit 422 units. A week earlier 4,443 cars and 605 trucks were manufactured.

Steel Output Scheduled To Show Mild Increase This Week

An important turn in the steel market was indicated, according to "Steel," the weekly magazine of metalworking, by an upturn in warehouse business.

That's significant because of the diversity of consumers who get their steel from warehouses, it adds. As a whole, warehouse customers are the smaller users of steel, but because there are a great many of them they form a market for approximately 20% of all finished steel sold, it declares.

It further states, the upturn in warehouse business is noted not only in tonnage being sold but also in number of orders. The upturn is coming not only from the larger customers but from the smaller ones too.

Some warehouses, says "Steel," reveal their August business is up 20 to 25% over July. Perhaps comparison with July is unfair, because that was a very poor month, but if you want to make comparisons with the more "normal" months of May and June you'll find August still is ahead by 10%.

Three things are probably causing the improvement, the trade paper asserts, adding that steel inventories have been pretty well liquidated; most consuming plants are back to work after vacations and that business as a whole is pretty good, and in some cases is improving.

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 64.8% of capacity for the week beginning Aug. 30, 1954, equivalent to 1,544,000 tons of ingots and steel for castings as against 1,515,000 tons and 63.5% (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 64.0% and production 1,527,000 tons. A year ago the actual weekly production was placed at 2,140,000 tons or 90.5%. 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 Declined 1% Below Preceding Week

Loadings of revenue freight for the week ended Aug. 21, 1954, decreased 6,653 cars or 1% the preceding week, according to the Association of American Railroads.

Loadings totaled 678,624 cars, a decrease of 138,822 cars or 17% below the corresponding 1953 week, and a decrease of 155,605 cars or 18.7% below the corresponding week in 1952.

Electric Output Again Establishes New All-Time High Record for the Industry

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 28, 1954, was estimated at 9,227,000,000 kwh., according to the Edison Electric Institute.

This represented an all-time high record and compared with the previous high of 9,207,000,000 kwh. reached in the previous week.

The current figure represents an increase of 20,000,000 kwh. above the preceding week and an increase of 687,000,000 kwh., or 8.0% over the comparable 1953 week and 1,581,000,000 kwh. over the like week in 1952.

U. S. Auto Output Plunges To New Five-Day Low For Year In Past Week

The automobile industry for the latest week, ended Aug. 27, 1954, according to "Ward's Automotive Reports," assembled an estimated 93,234 cars, compared with 100,075 (revised) in the previous week. The past week's production total of cars and trucks amounted to 110,912 units, a decline below the preceding week's output of 117,023 units, states "Ward's." In the like week of 1953, 144,851 units were turned out.

The past week saw output plunge to a new five-day low for the year, "Ward's" notes.

Last week the, agency reported there were 17,678 trucks made in this country, as against 16,948 (revised) in the previous week and 23,624 in the like 1953 week.

"Ward's estimated Canadian plants turned out 2,025 cars and 422 trucks last week, against 4,443 cars and 605 trucks in the preceding week and 6,184 cars and 1,831 trucks in the comparable 1953 week.

Business Failures Registered Declines In All Industry And Trade Groups Last Week

Commercial and industrial failures dropped to 184 in the week ended Aug. 26 from 246 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were at the lowest level so far this year, they remained slightly above the 182 which occurred a year ago and the 1952 toll of 132. Continuing below the pre-war level, mortality was down 30% from the 1939 total of 264.

Failures involving liabilities of $5,000 or more fell to 157 from 213 in the previous week and 162 last year. A mild dip to 27 from 33 occurred among small casualties, those with liabilities under $5,000, but they exceeded the 20 in this group in the comparable week a year ago. Liabilities in excess of $100,000 were incurred in 18 of the week's failures, as against 26 last week.

Wholesale Food Price Index Dipped 8% Below 1954 High

The wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to $6.89 on Aug. 24, a drop of almost 3% from the $7.07 in the preceding week. The index was, however, about 3% above that in the corresponding week a year ago. Last week's index was close to the low for the year of $6.85 which occurred on Jan. 5, and was 8% below the high for 1954 so far which occurred on May 25.

Higher in wholesale cost last week were flour, wheat, rye, lard, cottonseed oil and raisins. Lower in price were corn, barley, beef, hams, bellies, butter, coffee, cocoa, eggs, potatoes, rice, currants, steers, hogs and lambs.

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 Level Holds Above That of Any Preceding Weeks Since the End of May

Although the over-all level of basic commodity prices edged fractionally downward last week, the Dun & Bradstreet daily wholesale commodity price index remained higher than in any previous weeks since the latter part of May. The index closed at 274.31 on Aug. 24, compared with 274.18 a week earlier and 281.51 a year ago.

With the exception of wheat, and corn, the prices for most grains increased slightly.

Wheat trading continued to be limited by the lack of buying by exporters and flour millers; hedge selling against the Spring wheat harvest in the Northwest was important in the reduction of wheat prices. Heavy shipments were accompanied by a drop in corn prices. The good weather in the corn belt seemed likely to result in a larger corn crop than was expected in the Government's Aug. 1, forecast; observers thought that there might be an upward revision in the next forecast, due Sept. 10.

Even without an upward revision, the total supply of corn this Fall is expected to exceed the 1947-1951 average by about 4%.

The coffee market remained unsettled; trading in future increased considerably, although the large volume in actuals subsided somewhat. Although brokers tried to persuade their customers to stock refined sugar before Aug. 31, when a trucking strike is anticipated, there was little enthusiasm.

As a result of moderately increased trading, dairy products prices firmed somewhat the past week. Top grades of eggs generally sold well. Butter prices rose slightly. Butter production shrank somewhat and less surplus moved to the government at support prices.

While livestock receipts were larger than a week ago, they remained slightly smaller than a year ago. Trading in hogs fluctuated within a narrow range, with prices down slightly. Lamb slaughtering was rather slow and prices were down sharply, close to the low for the season.

Although market observers felt sure that a wave of textiles buying would soon occur, trading in textiles last week was rather limited, still confined to fill-in lots for near-future delivery. Prices in the primary cotton textile markets, however, were significantly firm. Cotton futures moved irregularly; beneficial rains in the cotton belt discouraged bidding. According to the Census Bureau, ginnings from the 1954 cotton crop, prior to Aug. 16, amounted to 831,543 bales, compared with ginnings from the 1953 crop of 574,687 bales prior to Aug. 16, 1953.

With both production and consumption setting new records, the 1953-1954 cotton season was called "exceptional" by the International Cotton Advisory Committee.

Although there were acreage controls in several of the major producing countries, the output of 29,500,000 bales reached a postwar high, exceeding the previous record of 28,900,000 bales in 1952-1953.

Retail Trade Volume Reflected Mild Declines Both for the Latest Week and Like Period a Year Ago

Although incomes available for spending continued at a high level, consumers spent less for travel, automobiles and apparel in the period ended on Wednesday of last week than in the like week of 1953. Retail spending was also slightly below that of the previous week of this year. The total dollar volume of retail trade the past 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: Midwest —7 to —3; East —6 to —2; New England —4 to 0; Southwest —1 to +3; South, Northwest, and Pacific Coast 0 to +4.

Apparel sales were lower a week ago than last and considerably below those of a year ago. Children's back-to-school items were most popular, while men's and women's clothes continued in poor demand. This month layaway selling of cold-weather apparel has been less than retailers expected.

Last week's wholesale news concerned discount houses. The first shopping center completely operated for discount selling was opened on the Pacific Coast; furniture, appliances, apparel and automobile accessories went on sale at reduced prices. Until now, trade in New England, the East and the Midwest and Southwest has been significantly affected by discount stores; now sections of the Pacific Coast and South are joining the trend.

A shopping center exclusively devoted to discount selling is news, and particularly since it was reported that some local retailers will use the center to dispose of regular unsold merchandise, while these same retailers continue list-price operations elsewhere.

Trade groups of retailers, wholesalers and manufacturers are considering various plans to meet this threat to traditional marketing procedures. One reported proposal is that retailers remove labels from nationally advertised goods and reduce prices to meet the competition. Some manufacturers may make more stringent efforts to cut shipments to wholesalers who resell to discount outlets. Trade groups are planning to work for regulation of discount selling in the Eighty-fourth Congress.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Aug. 21, 1954 showed no change from the level of the preceding week. In the previous week, Aug. 14, 1954, an increase of 2% (revised) was reported from that of the similar week in 1953. For the four weeks ended Aug. 21, 1954, an increase of 1% was reported. For the period Jan. 1 to Aug. 21, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week was slightly above that of the corresponding period a year ago according to trade estimates.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 21, 1954, registered a decline of 2% below the like period of last year. In the preceding week, Aug. 14, 1954, an increase of 4% was reported from that of the similar week in 1953, while for the four weeks ended Aug. 21, 1954, no change was reported. For the period Jan. 1 to Aug. 21, 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)	Sept. 5	§64.8	*63.5	64.0	90.5
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 5	1,544,000	*1,515,000	1,527,000	2,140,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 20	6,155,750	6,157,900	6,267,550	6,618,700
Crude runs to stills—daily average (bbls.)	Aug. 20	¶6,936,000	*6,735,000	6,744,000	7,109,000
Gasoline output (bbls.)	Aug. 20	23,826,000	23,545,000	23,565,000	24,664,000
Kerosene output (bbls.)	Aug. 20	2,171,000	1,926,000	1,910,000	2,170,000
Distillate fuel oil output (bbls.)	Aug. 20	10,261,000	*10,065,000	9,856,000	10,243,000
Residual fuel oil output (bbls.)	Aug. 20	7,917,000	7,597,000	7,525,000	8,956,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 20	155,017,000	156,328,000	158,844,000	140,511,000
Kerosene (bbls.) at	Aug. 20	33,835,000	33,105,000	31,069,000	33,227,000
Distillate fuel oil (bbls.) at	Aug. 20	111,444,000	*107,753,000	*98,255,000	113,302,000
Residual fuel oil (bbls.) at	Aug. 20	55,848,000	55,673,000	53,585,000	50,844,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 21	678,624	685,277	684,287	817,446
Revenue freight received from connections (no. of cars)	Aug. 21	577,987	576,936	565,356	666,427
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 26	$224,168,000	$258,939,000	$262,263,000	$214,331,000
Private construction	Aug. 26	125,766,000	157,099,000	143,154,000	61,850,000
Public construction	Aug. 26	98,402,000	101,840,000	119,109,000	152,481,000
State and municipal	Aug. 26	88,567,000	83,094,000	100,655,000	131,784,000
Federal	Aug. 26	9,835,000	18,746,000	18,454,000	20,697,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 21	7,560,000	7,760,000	7,090,000	9,568,000
Pennsylvania anthracite (tons)	Aug. 21	490,000	474,000	519,000	567,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 21	100	*97	84	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 28	9,227,000	9,207,000	9,139,000	8,540,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 26	184	246	195	182
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 24	4.801c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Aug. 24	$56.59	$56.59	$56.59	$56.76
Scrap steel (per gross ton)	Aug. 24	$28.67	$28.67	$27.33	$41.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 25	29.700c	29.700c	29.700c	29.675c
Export refinery at	Aug. 25	29.675c	29.375c	29.575c	29.650c
Straits tin (New York) at	Aug. 25	93.250c	92.500c	96.750c	82.250c
Lead (New York) at	Aug. 25	14.250c	14.000c	14.000c	14.000c
Lead (St. Louis) at	Aug. 25	14.050c	13.800c	13.800c	13.800c
Zinc (East St. Louis) at	Aug. 25	11.000c	11.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 31	99.94	100.22	100.58	92.72
Average corporate	Aug. 31	110.70	110.70	110.34	103.64
Aaa	Aug. 31	115.43	115.63	115.43	107.98
Aa	Aug. 31	112.56	112.56	112.37	105.52
A	Aug. 31	110.70	110.70	110.15	103.13
Baa	Aug. 31	104.66	104.66	103.97	98.25
Railroad Group	Aug. 31	109.24	109.24	109.06	101.97
Public Utilities Group	Aug. 31	110.88	110.88	110.70	102.96
Industrials Group	Aug. 31	112.00	112.00	111.44	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 31	2.50	2.48	2.44	3.02
Average corporate	Aug. 31	3.13	3.13	3.15	3.53
Aaa	Aug. 31	2.88	2.87	2.88	3.28
Aa	Aug. 31	3.03	3.03	3.04	3.42
A	Aug. 31	3.13	3.13	3.16	3.56
Baa	Aug. 31	3.47	3.47	3.51	3.86
Railroad Group	Aug. 31	3.21	3.21	3.22	3.63
Public Utilities Group	Aug. 31	3.12	3.12	3.13	3.57
Industrials Group	Aug. 31	3.06	3.06	3.09	3.39
MOODY'S COMMODITY INDEX	Aug. 31	404.7	418.3	427.3	414.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 21	214,012	237,882	203,751	199,211
Production (tons)	Aug. 21	251,722	248,147	239,499	261,470
Percentage of activity	Aug. 21	92	92	88	97
Unfilled orders (tons) at end of period	Aug. 21	364,174	401,966	370,844	507,572
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 27	106.77	106.99	107.21	106.00
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	Aug. 14	1,112,250	1,317,792	1,160,812	574,818
Dollar value	Aug. 14	$49,825,757	$59,341,836	$51,794,917	$26,929,242
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Aug. 14	1,191,847	1,361,562	1,175,227	515,441
Customers' short sales	Aug. 14	22,038	11,491	7,592	4,343
Customers' other sales	Aug. 14	1,169,809	1,350,071	1,167,635	511,098
Dollar value	Aug. 14	$49,481,896	$59,164,651	$49,653,011	$20,665,963
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 14	386,930	461,380	351,150	157,770
Short sales	Aug. 14	------	------	------	------
Other sales	Aug. 14	386,930	461,380	351,150	157,770
Round-lot purchases by dealers—					
Number of shares	Aug. 14	314,780	397,580	359,310	215,880
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	Aug. 7	608,240	542,010	346,580	229,500
Other sales	Aug. 7	16,008,990	12,994,700	9,580,810	5,423,840
Total sales	Aug. 7	16,617,230	13,536,710	9,927,390	5,653,340
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 7	2,091,510	1,512,300	1,002,160	580,585
Short sales	Aug. 7	351,220	332,410	199,790	110,440
Other sales	Aug. 7	1,666,160	1,208,540	838,780	506,500
Total sales	Aug. 7	2,017,380	1,540,950	1,038,570	616,940
Other transactions initiated on the floor—					
Total purchases	Aug. 7	571,280	438,460	297,240	119,790
Short sales	Aug. 7	41,300	22,100	16,050	12,940
Other sales	Aug. 7	545,070	386,640	303,710	109,360
Total sales	Aug. 7	586,370	408,740	319,760	122,300
Other transactions initiated off the floor—					
Total purchases	Aug. 7	560,660	475,360	327,256	213,250
Short sales	Aug. 7	69,480	80,650	39,470	51,860
Other sales	Aug. 7	701,374	529,923	484,749	332,995
Total sales	Aug. 7	770,854	610,573	524,219	384,855
Total round-lot transactions for account of members—					
Total purchases	Aug. 7	3,223,450	2,426,120	1,626,656	913,625
Short sales	Aug. 7	462,000	435,160	255,310	175,240
Other sales	Aug. 7	2,912,604	2,125,103	1,627,239	948,855
Total sales	Aug. 7	3,374,604	2,560,263	1,882,549	1,124,095
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 24	110.0	110.3	109.7	110.7
Farm products	Aug. 24	93.9	*95.3	93.9	97.5
Processed foods	Aug. 24	105.5	106.1	103.9	105.1
Meats	Aug. 24	89.1	91.2	87.3	95.1
All commodities other than farm and foods	Aug. 24	114.4	114.3	114.2	114.7

*Revised figure. ¶Includes 680,000 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 PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	214,842,000	220,977,000	217,321,000
Domestic crude oil output (barrels)	195,000,000	200,593,000	197,837,000
Natural gasoline output (barrels)	19,785,000	20,362,000	19,439,000
Benzol output (barrels)	57,000	22,000	45,000
Crude oil imports (barrels)	18,728,000	21,957,000	21,207,000
Refined products imports (barrels)	11,237,000	9,694,000	10,298,000
Indicated consumption domestic and export (barrels)	234,059,000	223,500,000	240,428,000
Increase all stock (barrels)	10,748,000	29,128,000	8,398,000
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of June (in thousands)	$163,407,000	*$149,616,000	$153,846,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of June	9,748	9,280	8,926
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of June (millions of dollars):			
Manufacturing	$44,504	*$44,798	$46,160
Wholesale	11,853	*11,770	11,713
Retail	22,600	*22,804	22,294
Total	$78,957	*$79,372	$80,167
COTTON GINNING (DEPT. OF COMMERCE)—To Aug. 16 (running bales)	831,543	------	574,687
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed months of July	542,577	781,767	742,064
In consuming establishments as of July 31	1,218,051	400,696	1,491,782
In public storage as of July 31	8,103,150	8,182,209	3,853,992
Linters—Consumed month of July	95,849	113,449	103,901
Stocks July 31	1,571,582	1,611,440	1,081,690
Cotton spindles active as of July 31	19,286,000	19,332,000	20,052,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on July 31	22,707,000	22,728,000	22,830,000
Spinning spindles active on July 31	19,286,000	19,332,000	20,007,000
Active spindle hours (000's omitted) July	6,578,000	10,216,000	9,484,000
Active spindle hours per spindle in place July	346.2	417.0	379.4
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of July:			
Sales (average monthly), unadjusted	74	101	76
Sales (average daily), unadjusted	73	99	75
Sales (average daily), seasonally adjusted	101	102	104
Stocks, unadjusted	104	107	*106
Stocks, seasonally adjusted	117	114	*120
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of July:			
Contracts closed (tonnage)—estimated	259,342	*219,306	220,669
Shipments (tonnage)—estimated	243,824	*290,262	230,304
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of July:			
Gas-fired furnace shipments (units)	51,000	51,300	46,900
Gas conversion burner shipments (units)	20,500	17,600	19,700
Gas operated boiler shipments (units)	5,700	6,100	7,400
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of June:			
Death benefits	$183,689,000	$158,955,000	$169,925,000
Matured endowments	45,644,000	41,416,000	39,094,000
Disability payments	8,861,000	8,804,000	8,733,000
Annuity payments	37,859,000	34,379,000	34,018,000
Surrender values	71,445,000	67,400,000	60,133,000
Policy dividends	79,921,000	66,561,000	71,958,000
Total	$427,419,000	$377,515,000	$383,861,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of June (000's omitted):			
Ordinary	$2,152,000	$2,077,000	$2,100,000
Industrial	555,000	607,000	553,000
Group	431,000	602,000	570,000
Total	$3,138,000	$3,286,000	$3,223,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of June (millions of dollars):			
Inventories—			
Durables	$24,593	*$24,926	$26,048
Non-durables	19,911	*19,872	20,112
Total	$44,504	*$44,798	$46,160
Sales	24,176	*23,978	25,882
MONEY IN CIRCULATION—TREASURY DEPT.—As of June 30 (000's omitted)	$29,922,000	$29,870,000	$30,125,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of July:			
Total number of vehicles	530,416	*598,876	702,899
Number of passenger cars	451,663	507,055	596,901
Number of motor trucks	78,507	*91,470	105,622
Number of motor coaches	246	*351	376
NEW YORK STOCK EXCHANGE—As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$1,925,512	$1,859,455	$1,663,839
Credit extended to customers	32,596	37,205	28,648
Cash on hand and in banks in U. S.	326,022	312,301	286,289
Total of customers' free credit balances	877,434	846,924	649,685
Market value of listed shares	145,843,061	139,187,897	115,885,633
Market value of listed bonds	105,726,616	105,582,152	100,279,485
Member borrowings on U. S. Govt. issues	152,775	224,458	141,345
Member borrowings on other collateral	1,246,036	1,235,918	1,193,868
PORTLAND CEMENT (BUREAU OF MINES)—Month of June:			
Production (barrels)	22,802,000	*23,279,000	22,698,000
Shipments from mills (barrels)	28,632,000	*24,911,000	26,400,000
Stocks (at end of month—barrels)	19,582,000	25,412,000	21,542,000
Capacity used	97	97	98
ZINC OXIDE (BUREAU OF MINES)—Month of July:			
Production (short tons)	10,788	11,339	16,719
Shipments (short tons)	11,585	12,858	17,696
Stocks at end of month (short tons)	13,636	14,433	23,550

Continued from page 11

How the Canadian Government Functions

to the appropriate Minister, rather than to their local members of Parliament. There is no opportunity for the individual member of the House of Commons to get any such legislation through Parliament unless he has the support or acquiescence of the Cabinet.

In Canada, the Cabinet speaks with one voice. When the Prime Minister said that Canada is prepared to build the seaway alone if U. S. participation would mean undesirable delay, Mr. St. Laurent spoke for every member of the Cabinet. That was a government decision on which the Cabinet as a whole was prepared to stand or fall. An undertaking by a Cabinet Minister will be carried out, even though the Cabinet Minister may have exceeded his authority to an extent that his resignation from the Cabinet may be required.

This principle of Cabinet solidarity and the related fact that, under normal circumstances, the Cabinet is in a position to know with some confidence just how far it can carry its supporters with it in Parliament, has important consequences.

It means, in the first place, that the Cabinet does not make recommendations until it is sure of the support of its party. It does not put forward a program with the idea that if it asks for a lot it may get enough. Nor can the executive carry its more extreme supporters by putting forward proposals in the comfortable knowledge that those proposals will be rejected in the House of Commons. It has to accept full responsibility for all its recommendations.

For the same reason, in the negotiation of international treaties, agreement of the Cabinet is to all intents and purposes equivalent to ratification by Parliament.

A Two-Party System Essential

The Canadian system would not work as well as it does were it not for the fact that a high proportion of the members of Parliament are either Liberals or Conservatives, and that party discipline is well maintained. Most Canadians believe in the two-party system, and they play the game according to the rules. Moreover, while there are differences between the two principal political parties on many important issues, there is an underlying agreement on certain fundamentals, just as there is between the Democrats and Republicans in this country. If, by chance, the Liberals were to be defeated by the Conservatives in the next Federal election, which, as a Liberal I think is quite improbable, there would not, in my opinion, be any radical alteration in the direction of government policy. The difference would be a matter of degree rather than of kind.

This is one of the reasons why I believe that outside investors have confidence in Canada. They see a stable form of government working successfully and they see evidences that even if there were changes in the political complexion of the government, such changes would not be likely to result in any fundamental alteration in the attitude towards private enterprise and economic development.

I would also like to submit with all due deference that the fact that the Cabinet is able to act with confidence is a source of strength in dealing with Canada's major economic problems and with Canadian-American economic and trade relations. It has enabled the Canadian Government, for example, to assure the Government of the United States that Canada is prepared to give strong support to efforts designed to promote international trade. This assurance can be given because changes in tariff can only be recommended to the legislature by the Minister of Finance, acting with the concurrence of the full Cabinet, and because the government has behind it a Liberal majority that believes in freer international trade as being in Canada's interest.

The Canadian form of government follows British practice which has been developed over the centuries. To me it seems an efficient form of government. Although its form is that of a monarchy, it is in fact democratic and quickly responsive to the will of the majority of our citizens.

Mr. Chairman, I have finished my attempt to outline the basic differences between the method of government in Canada and the method with which this audience is familiar. I hope that I have succeeded in conveying the thought that under the type of government I have described, Canada offers an economic climate favorable to foreign investment. If so, I will consider my visit to White Sulphur Springs well worth while.

Continued from page 14

News About Banks And Bankers

Bank of St. Petersburg, Fla. The bank has a capital of $400,000 and a surplus of $250,000. The President is George E. Tomberlin and the Cashier Fred H. Green.

* * *

Merger Certificate No. 16 was issued on Aug. 18 by the Office of the Comptroller of the Currency approving and making effective, as of the close of business Aug. 20, the merger of the **Bank of Martinez, Martinez, Calif.,** with common stock of $120,000, into **The Bank of California, National Association, San Francisco, Calif.,** with common stock of $10,200,000. The merger was effected under the charter and title of "The Bank of California, National Association."

At the effective date of merger, the merged bank will have capital stock of $10,440,000, divided into 522,000 shares of common stock of the par value of $20 each; surplus of $15,060,000; and undivided profits of not less than $2,460,000.

A previous item about the merger appeared on page 789 of the Aug. 26 issue of the "Chronicle."

* * *

Discussions looking toward a possible consolidation of **The Bank of California, N. A., Crocker First National Bank,** both of **San Francisco,** and **California Bank, Los Angeles,** have been discontinued, according to an announcement issued Aug. 17.

The announcement was made in a joint statement by Elliott McAllister, President of The Bank of California, N. A., William W. Crocker, Chairman of the Board of Crocker First National Bank, and Frank L. King, President of California Bank. It stated that a thorough exploration of all factors involved had failed to develop any mutually satisfactory plan of consolidation.

* * *

It was announced on Aug. 18 that the **First Savings Bank of Colusa, Calif.** and its branch at Maxwell would become the Colusa and the Maxwell office, respectively, of the **Anglo California National Bank of San Francisco,** at the close of business on Aug. 20, when the Anglo Bank was to acquire the assets and assume the liabilities of the First Savings Bank. The announcement was made jointly by Paul E. Hoover, President of Anglo Bank, and Paul S. Yockey, President of the First Savings Bank. Both offices were to remain open for business at the usual time on Monday morning as offices of the Anglo California National Bank. Mr. Yockey will be Vice-President and Manager of the Colusa office of Anglo Bank. L. A. Mace, Cashier of the First Savings Bank, and A. W. Hodgson, Assistant Cashier, will be Assistant Managers of Anglo's Colusa office. L. E. Wallace, at present Assistant Cashier and Manager of the Maxwell Branch of the First Savings Bank, will be Assistant Vice-President and Manager of Anglo's Maxwell office.

The directors of the First Savings Bank, consisting of H. H. Balsdon, E. C. Barrell, E. C. Garrette, L. A. Mace and Paul S. Yockey, will constitute a Colusa-Maxwell Advisory Board for Anglo Bank, Mr. Hoover stated. Officers and employees of the First Savings Bank will become members of the staff of Anglo Bank and, for services as Anglo staff members, will participate in Anglo's pension plan, group life insurance, hospitalization and other personnel benefits, Mr. Hoover said.

The First Savings Bank was established in 1902 and has assets in excess of $8,500,000. Anglo California National Bank, with present assets of over $800,000,000, was incorporated in 1873 as the outgrowth of a mercantile house established in San Francisco in 1850. With the new offices in Colusa and Maxwell, Anglo will have 37 offices in 22 northern and central California communities. The new units in Colusa and Maxwell will bring to nine the number of Anglo offices in the Sacramento Valley. A 10th unit is now under construction in Sacramento and will be opened this coming fall. It is also announced that Anglo will acquire also an office in Vallejo in the near future. Five other new Anglo offices, now either building or pending, will be added within the next few months, according to recent announcements.

* * *

The Mechanics and Merchants National Bank of Vallejo, Calif., was succeeded by the **Anglo California National Bank of San Francisco, Calif.,** at the close of business Aug. 27, according to an announcement by Paul E. Hoover, President of Anglo Bank. The Anglo Bank acquired the assets and assumed the deposit and other liabilities of the Mechanics and Merchants National Bank.

Laurence J. Robin, previously manager of Anglo's East Bakersfield Office, will be Vice-President and manager of the Vallejo office. Charles N. Bessac, previously Vice-President and Cashier of the Mechanics and Merchants National Bank, will be a vice-President of the Anglo Bank. Other officers, all of whom will be Assistant Managers and all of whom were previously officers of the Mechanics and Merchants National Bank, will be Harry J. Martin, L. J. Bussboom, E. J. Lawson, Doris L. Rogers and Leonard E. Smith. The directors of the former Mechanics and Merchants National Bank will constitute a Vallejo advisory board for Anglo Bank, Mr. Hoover said. The members will be Dan Foley, Charles N. Bessac, Luther E. Gibson, Harry V. Soanes, C. F. Hatch and Demetrio Magnani.

Officers and employees of the former Mechanics and Merchants National Bank have become members of the staff of Anglo Bank and will participate fully in Anglo's pension plan, group life insurance, hospitalization and other personnel benefits, Mr. Hoover said.

A previous item about the acquistion appeared in the Aug. 27 "Chronicle" page 789.

The promotions of five members of the staff of the Anglo California National Bank was announced on Aug. 27 by Paul E. Hoover, President.

Laurence J. Robin, previously Assistant Vice-President and manager of the bank's East Bakersfield office, has been promoted to the office of Vice-President and Manager of Anglo's new office in Vallejo.

R. C. Coppock, Jr., previously Vice-President and Manager of Palo Alto office, has been appointed Vice-President and Manager of Anglo's new Midtown office, which is now under construction in Sacramento and which is scheduled to be opened early this coming fall.

Charles D. Means, previously Assistant Manager of the Palo Alto office, has been appointed Vice-President and Manager, succeeding Mr. Coppock. Louis B. Becas, Jr., previously Assistant Manager of the East Bakersfield office, has been appointed Assistant Vice-President and Manager, filling the position left vacant by Mr. Robin's promotion.

D. Jud Callaghan, who has been connected with Anglo Bank since the beginning of this year, has been promoted to the office of Assistant Vice-President and will be assigned to the new Midtown office, Sacramento.

Frank W. Thommen, previously Chief Clerk at the San Jose office, has been promoted to the office of Assistant Manager and will likewise be located at the Midtown office, Sacramento.

Public Utility Securities

By OWEN ELY

American Cable & Radio Corporation

American Cable & Radio is a holding company whose subsidiaries provide world-wide cable and radio service. It is controlled by International Tel. & Tel. through ownership of about 58% of the common stock. The company was organized in 1939 in connection with the reorganization of Postal Telegraph & Cable. The System provides cable facilities to link the United States with 22 countries or territories including Central and South America, the West Indies, Canada, the British Isles, France, Belgium, the Netherlands, Germany and the Azores. Connections are also made through other lines with Africa, Asia and Australia.

There are also extensive radio-telegraph and ship-to-ship communication facilities. The annual revenues of about $27 million are about 46% from cable business, 46% from radio-telegraph service and 8% miscellaneous. The company is expanding its leased circuit business, and through aggressive advertising is said to be obtaining a larger share of total regular message volume. The nature of the business is such that a considerable increase in message volume may be handled with little increase in costs.

Western Union Telegraph competes with the company in the cable field and RCA Communications in the radio-telegraph operations. This competition is said to be principally responsible for the company's mediocre earnings record. A merger of these facilities was proposed some time ago, and the several companies involved have held discussions under the aegis of the Interstate & Foreign Commerce Committee of the Senate, to consider the possibility of recommending legislation which would permit a merger. The discussions have been continuing this year, it is understood.

Hearings were also held by the Federal Communications Commission during 1953 on Western Union's failure to divest itself of its international cable telegraph operations as directed by Congress in 1943. These hearings, in which American Cable & Radio was one of the parties interested in requiring divestment, were closed on March 25, 1954 and the case is still pending before the Commission.

The company's revenues last year established a new high and showed a gain of about 56% over 1943. The 1953 increase in revenues resulted mainly from the upward adjustment of rates on South American traffic which became effective in the latter part of 1952 and in 1953. Also the volume of international telegraph message traffic handled by the AC&R System since the middle of 1953 has held at an improved level over the preceding year and these gains carried through the first quarter of 1954. As a result, earnings for the first quarter were about double those of last year —14¢ vs. 7¢.

American Cable & Radio and its subsidiaries are in a strong financial position. The 1953 consolidated balance sheet showed no funded debt or preferred stock outstanding. The 3,484,120 shares of common stock outstanding (par $1) had a book value of $8.79 a share. The current position was excellent, with current assets of $17.3 million compared with current liabilities of $5.8 million. Current assets included about $8.3 million cash and U. S. Government securities. The parent company's balance sheet showed the same book value and current assets of $2.0 million compared with current liabilities (principally dividends payable) of $1.2 million.

In 1952-3 the company did not draw any dividends from subsidiaries, its income consisting entirely of interest, most of which was received on the $3,800,000 advances to Mackay Radio & Telegraph Company, a subsidiary.

American Cable & Radio is currently selling on the New York Stock Exchange at 6⅜, this year's range being 7¼-4⅜. Assuming that another 30¢ dividend is declared around the year-end, the yield would be 4.7%.

	Revenues (Millions)				Common Stock Record		
Year	Cable	Radio-Telegraph	Other	Total	Earns.	Divs.	Price-Range
1953	$12.36	$12.19	$2.07	$26.62	$0.48	$0.30*	6⅜ - 3¾
1952	11.36	12.04	2.05	25.45	0.20	0.15	6 - 4⅛
1951	12.63	10.99	1.74	25.36	0.42	0.30	7⅝ - 5¼
1950	11.84	9.41	0.85	22.10	0.41	0.20	8¼ - 3⅞
1949	11.27	8.25	1.49	21.01	d0.12	---	4¼ - 2½
1948	12.76	6.45	0.99	20.19	d0.46	---	6¾ - 3
1947	13.35	7.00	0.96	21.31	d0.44	---	7⅝ - 3⅞
1946	12.19	5.70	0.74	18.63	d0.18	---	17¼ - 5⅞
1945	18.47	4.18	1.70	19.34	0.46	---	17 - 10½
1944	15.13	3.33	1.63	20.10	0.63	---	14 - 8
1943	12.42	2.74	1.89	17.05	0.64	---	9¼ - 3⅜

*Paid in following year. d Deficit.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ A. & B. Manufacturing Co., Kensington, Md.
Aug. 25 (letter of notification) 35,000 shares of 8% cumulative preferred stock (par $3) to be offered on behalf of company, and 350,000 shares of common stock (par 50 cents) on behalf of certain selling stockholders. **Price** — At par. **Proceeds** — For working capital and equipment. **Office**—10441 Metropolitan Avenue, Kensington, Md. **Underwriter**—None.

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.

★ Allied Control Co., Inc. (9/15)
Aug. 27 filed 100,000 shares of common stock (par $1). **Price**—$8 per share. **Proceeds**—To selling stockholders. **Offices**—New York, N. Y., and Plantsville, Conn. **Underwriter**—Bache & Co., New York.

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 Buyers Insurance Co., Phoenix, Ariz.
Aug. 18 (letter of notification) 2,500,000 shares of common stock, to be offered to stockholders on a pro rata basis. **Price**—At par ($10 per share). **Proceeds**—To acquire capital required by Arizona law for a stock benefit insurance company. **Office**—2001 East Roosevelt, Phoenix, Ariz. **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 Seal-Kap Corp. of Delaware (9/15)
Aug. 25 filed 61,312 shares of common stock (par $2) to be offered for subscription by common stockholders on the basis of one new share for each three shares held about Sept. 15; rights to expire on or about Sept. 28. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Long Island City, N. Y. **Underwriters** — American Securities Corp. and Hirsch & Co., both of New York City.

★ American Telephone & Telegraph Co. (9/21)
Sept. 1 filed $250,000,000 30-year debentures due Sept. 15, 1984. **Proceeds**—For advances to subsidiaries and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvement and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 21.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

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.

★ Audubon Park Raceway, Inc. (9/15-16)
Aug. 24 filed 970,000 shares of common stock (par 10¢), of which 900,000 shares are to be offered to public. **Price** $1 per share. **Proceeds**—To purchase land, construct racing plant, buy equipment and for working capital. **Office**—Morganfield, Ky. **Underwriters**—Berwyn T. Moore & Co., Inc., Louisville, Ky.; Gearhart & Otis, Inc., New York, and Crerie & Co., Inc. Houston, Tex.

Automatic Remote Systems, Inc., Baltimore
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.

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 Hawk Uranium & Metals Co.
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.

★ Cahokia Downs, Inc., East St. Louis, Ill.
Aug. 30 filed 140,000 shares of common stock (par $1) to be offered for subscription by stockholders. **Price**—$5 per share. **Proceeds**—For construction of racing plant. **Underwriter**—None.

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** —

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NEW ISSUE CALENDAR

September 7 (Tuesday)
Neo-Line Products Corp. ---- Common
(Offering by company—no underwriting) $132,700

September 8 (Wednesday)
Carolina Resources Corp. ---- Common
(Allen E. Beers Co.) $299,000
Colorado Sports Racing Association ---- Common
(General Investing Co.) $297,995
Montana-Dakota Utilities Co. ---- Bonds
(Bids 11 a.m. EDT) $12,000,000
Petaca Mining Corp. ---- Preference & Common
(Barrett Herrick & Co., Inc.) $900,000

September 9 (Thursday)
Chic., Milwaukee, St. Paul & Pacific RR. ---- Equip. Trust Ctfs.
(Bids noon CDT) $2,700,000
Illinois Central RR. ---- Bonds
(Bids 11 a.m. EDT) $60,000,000
Standard Coil Products Co., Inc. ---- Common
(A. C. Allyn & Co., Inc. and Dempsey & Co.) 189,655 shares

September 10 (Friday)
Loma Uranium Corp. ---- Common
(Peter Morgan & Co.) $1,250,000
Riddle Uranium Mines, Inc. ---- Common
(Tellier & Co.) $300,000

September 13 (Monday)
California Water Service Co. ---- Preferred
(Dean Witter & Co.) $1,500,000
General Nucleonics Corp. ---- Common
(George F. Breen) $297,500

September 14 (Tuesday)
Glen-Gery Shale Brick Corp. ---- Preferred
(P. W. Brooks & Co., Inc.; Lee Higginson Corp. and Warren W. York & Co., Inc.) $1,400,000
Lindsay Chemical Co. ---- Common
(Lehman Brothers and Farwell, Chapman & Co.)
Oklahoma Gas & Electric Co. ---- Preferred
(Bids 11 a.m. EDT) $7,500,000
Tennessee Gas Transmission Co. ---- Debentures
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $65,000,000
Western Development Co. ---- Common
(J. G. White & Co., Inc.) $1,500,000

September 15 (Wednesday)
Allied Control Co., Inc. ---- Common
(Bache & Co.) $800,000
American Seal-Kap Corp. of Delaware ---- Common
(Offering to stockholders—to be underwritten by American Securities Corp. and Hirsch & Co.) 61,312 shares
Audubon Park Raceway, Inc. ---- Common
(Berwyn T. Moore & Co., Inc.; Gearhart & Itis, Inc.; and Crerie & Co., Inc.) $970,000
Eastern Industries, Inc. ---- Preferred
(Blair & Co. Inc. and Cohu & Co.) $1,000,000
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
Supermarket Merchandisers of America Inc. ---- Com.
(Milton D. Blauner & Co., Inc.) $299,550
Texas International Sulphur Co. ---- Common
(Vickers Brothers) 455,000 shares
Western Maryland Ry. ---- Bonds
(Bids 11:30 a.m. EDT) $16,000,000

September 16 (Thursday)
Illinois Power Co. ---- Preferred
(Merrill Lynch, Pierce, Penenr & Beane and The First Boston Corp.) $9,000,000
Illinois Power Co. ---- Common
(The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane) 200,000 shares
Ketay Instrument Corp. ---- Common
(A. G. Becker & Co. Inc.) 300,000 shares
Welex Jet Services, Inc. ---- Common
(Offering to stockholders—underwritten by Laird & Co. and First Southwest Co., Inc.) 68,528 shares

September 20 (Monday)
Columbus & Southern Ohio Electric Co. ---- Common
(Dillon, Read & Co. Inc. and The Ohio Company) 200,000 shares
San Diego Gas & Electric Co. ---- Common
(Offering to stockholders—underwritten by Blyth & Co., Inc) 800,000 shares

September 21 (Tuesday)
American Telephone & Telegraph Co. ---- Bonds
(Bids 11 a.m. EDT) $250,000,000

September 22 (Wednesday)
Middle South Utilities, Inc. ---- Common
(Offering to stockholders—no underwriting) 475,000 shares
Tampa Electric Co. ---- Preferred
(Bids 11 a.m. EDT) $5,000,000

September 23 (Thursday)
Dayton Power & Light Co. ---- Bonds
(Bids to be invited) $15,000,000
Northern Pacific Ry. ---- Bonds
(Bids to be invited) $52,000,000

September 28 (Tuesday)
New England Electric System ---- Common
(Offering to stockholders—bids to be invited) 910,883 shares
Northern States Power Co. ---- Bonds
(Bids to be invited) $20,000,000

September 29 (Wednesday)
Columbus & Southern Ohio Electric Co. ---- Bonds
(Bids 11:30 a.m. EST) $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 noon EST) $20,000,000

October 5 (Tuesday)
Indiana & Michigan Electric Co. ---- Bonds
(Bids 11 a.m. EST) $16,500,000
Indiana & Michigan Electric Co. ---- Preferred
(Bids 11 a.m. EST) $4,000,000
Wisconsin Power & Light Co. ---- Bonds
(Bids to be invited) $18,000,000

October 6 (Wednesday)
Sierra Pacific Power Co. ---- Common
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp. and Dean Witter & Co.) 34,807 shares

October 18 (Monday)
Texas Power & Light Co. ---- Bonds
(Bids 11:30 a.m. EST) $20,000,000

October 19 (Tuesday)
New York Telephone Co. ---- Bonds
(Bids to be invited) $75,000,000

October 20 (Wednesday)
Louisiana Power & Light Co. ---- Bonds
(Bids to be invited) $17,000,000

October 25 (Monday)
Sierra Pacific Power Co. ---- Bonds
(Bids to be invited) $4,000,000

October 26 (Tuesday)
Savannah Electric & Power Co. ---- Bonds, Debs. & Preferred
(Bids to be invited) $11,000,000

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Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

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 Water Service Co. (9/13-14)
Aug. 23 filed 60,000 shares of cumulative preferred stock, series I (par $25). **Price**—To be supplied by amendment. **Proceeds**—To finance construction program and for general corporate purposes. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Calverton Development Corp.
Aug. 26 (letter of notfication) 500 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For working capital. **Office**—164-09 Hillside Ave., Jamaica 32, N. Y. **Underwriter**—None.

★ Capital Investment Co., Baltimore, Md.
Aug. 25 (letter of notification) $300,000 face amount 10-year debentures, without interest. **Price**—$75 for each $100 principal amount. **Proceeds**—To finance affiliates. **Office**—10 Light Street, Baltimore 2, Md. **Underwriter**—None.

Carolina Resources Corp. (9/8)
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

Cessna Aircraft Co. (Kansas)
Aug. 9 (letter of notification) 1,700 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—To Getto McDonald, a director. **Underwriter**—Harris, Upham & Co., New York.

★ Chemical Products Corp., Providence, R. I.
Aug 27 filed 125,000 shares of common stock (par $1), of which 111,638 shares are to be offered by Photon, Inc. for subscription by its stockholders on the basis of one share for each two shares of Photon, Inc. held; and the remaining 13,362 shares are to be offered by Chemical Products Corp. to its employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—G. H. Walker & Co., Providence, Rhode Island.

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.

★ Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

• Colorado Sports Racing Association (9/8)
Aug. 19 (letter of notification) 297,995 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction of track and working capital. **Office** — Equitable Bldg., Denver, Colo. **Underwriter** — General Investing Co., same city.

★ Columbus & Southern Ohio Electric Co. (9/20)
Aug. 31 filed 200,000 additional shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co. Inc., New York, and The Ohio Company, Columbus, Ohio.

★ Columbus & Southern Ohio Electric Co. (9/29)
Aug. 31 filed $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. (EST) on Sept. 29 at City Bank Farmers Trust Co., 22 William Street, New York 15, N. Y.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

★ Consolidated Industries, Inc., Lafayette, Ind.
Aug. 11 (letter of notification) 31,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay current indebtedness and increase working capital. **Office**—U. S. Highway, 52 By-Pass, Lafayette, Ind. **Underwriter**—None.

★ Cott Beverage Corp., New Haven, Conn.
Aug. 27 filed 200,000 shares of common stock (par $1.50), of which 120,000 shares are for the account of the company and 80,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Underwriter**—Ira Haupt & Co., New York. **Offering**—Expected in four to six weeks.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

• Dayton Power & Light Co. (9/22)
Aug. 23 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 22 at Irving Trust Co., One Wall St., New York, N. Y. Invitations will be published about Sept. 15.

★ Eastern Industries, Inc. (9/15)
Aug. 27 filed 100,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—Blair & Co. Incorporated and Cohu & Co., both of New York.

★ El Dorado Mining Co., Salt Lake City, Utah
Aug. 23 (letter of notification) 17,500,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—223 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

★ El Dorado-Plumbago Mines Consolidated, Inc.
Aug. 23 (letter of notification) 300,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—For development and exploration expenses. **Office** — 139 No. Virginia Street, Reno, Nev. **Underwriter**—None.

★ El Rey Uranium Corp., Salt Lake City, Utah
Aug. 24 (letter of notification) 1,475,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriters** — Mid-Continent Securities, Inc., Cromer Brokerage Co. and Coombs & Co., all of Salt Lake City.

★ Eternalite, Inc., New Orleans, La.
Aug. 23 (letter of notification) 2,000 shares of class A common stock (no par) and 1,000 shares of cumulative convertible class AA preferred stock (par $100). **Price**—Class A, $50 per share; and class AA, $100 per share. **Proceeds**—For purchase of lamps for foreign manufacturers. **Office**—1534 Melpmene St., New Orleans, La. **Underwriter**—Robert Stateson, 1700 Canal St., same city.

Eureka Uranium Corp., Cheyenne, Wyo.
July 12 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office**—2215 Duff Ave., Cheyenne, Wyo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

★ Fidelity Acceptance Corp., Minneapolis, Minn.
Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par $25), to be offered to employees; $900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock. **Proceeds**—To reduce outstanding bank loans. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

First Railroad & Banking Co. of Georgia
July 30 filed 42,000 units, each consisting of one share of common stock, one warrant to subscribe at $4.10 per share to 13 shares of common stock, and one $250 5% collateral trust bond due Aug. 1, 1988, to be offered for each of the 42,000 shares of outstanding common stock pursuant to plan of readjustment; also 756,000 shares of common stock, which includes 546,000 shares subject to subscription upon exercise of warrants and 210,000 shares to be offered to public at $4.50 per share through Johnson, Lane, Space & Co., Savannah, Ga., who will also purchase such of the 546,000 shares of common stock not sold upon exercise of warrants.

★ Fluor Corp., Ltd.
Aug. 17 (letter of notification) 1,500 shares of common stock (par $2.50). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Four Corners Uranium Corp., Denver, Colo.
July 26 filed 500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To repay bank loans, note and on contracts for purchase of certain claims and properties; and for other general corporate purposes. **Underwriter**—Campbell, McCarty & Co., Detroit, Mich.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

• General Bronze Corp.
Aug. 5 filed 32,933 shares of common stock (par $5) being offered for subscription by common stockholders of record Aug. 27 on the basis of one new share for each being offered for subscription by common stockholders 10 shares held; rights to expire on Sept. 13. **Price**—$22 per share. **Proceeds** — For expansion program. **Underwriter**—Lehman Brothers, New York.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected in September.

• General Nucleonics Corp. (9/13)
Aug. 18 (letter of notification) 59,500 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and working capital. **Office**—489 Fifth Avenue, New York, N. Y. **Underwriter** — George F. Breen, New York.

★ Georgia Power Co. (9/15)
Aug. 26 filed 433,869 shares of cumulative preferred stock (to bear a dividend of not more than $4.92 per share), which are to be offered in exchange, together with an amount in cash, for the outstanding 433,869 shares of $6 preferred stock. The exchange will be from 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. 6, 1954, at $110 per share. **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.

• Glen-Gery Shale Brick Corp. (9/14)
Aug. 18 filed 140,000 shares of 6% cumulative first preferred stock (par $10) to be offered for public sale. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Office**—Reading, Pa. **Underwriters**—P. W. Brooks & Co., Inc. and Lee Higginson Corp., both of New York; and Warren W. York & Co., Inc., Allentown, Pa.

★ Gold Butte Uranium Mines, Inc.
Aug. 18 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploration expenses. **Office**—308 Fremont St., Las Vegas, Nev. **Underwriter**—None.

• Grand Union Co.
Aug. 11 filed $5,503,400 of 3½% 15-year convertible subordinated debentures due Sept. 15, 1969, being offered for subscription by common stockholders on the basis of $100 of debentures for each 13 shares held on Aug. 31, 1954; rights to expire on Sept. 15. **Price**—At par. **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.

★ Great Basins Petroleum Co., Denver, Colo.
Aug. 30 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and reduce other debt. **Underwriter**—First California Co., Inc., San Francisco, Calif.

★ Guaranty National Life Insurance Co., Houston, Texas
Aug. 13 (letter of notification) preorganization certificates to 86,562 shares of class A stock (no par) and 14,427 shares of class B stock (no par), through offer of rescission. **Proceeds**—For capital and surplus account. **Underwriter**—None. Guaranty National Underwriters, Houston, Tex., filed for company.

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 Sept. 3 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 3¾% 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 com-

petitive 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.

★ Illinois Power Co. (9/16)
Aug. 27 filed 180,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for construction program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

★ Illinois Power Co. (9/16)
Aug. 27 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ Investment Trust of Boston
Aug. 26 filed 150,000 shares of beneficial interest. **Price**—At market. **Proceeds**—For investment. **Office**—1 Court St., Boston, Mass.

★ Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Proceeds**—For organization expenses, equipment, construction and related purposes.

● Justheim Petroleum Co., Salt Lake City, Utah
Aug. 7 (letter of notification) 200,000 shares of capital stock (par five cents), subject to outstanding options. **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. No general offer planned.

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.

★ Ketay Instrument Corp., New York City (9/16)
Aug. 27 filed 300,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered by the company and 100,000 shares for account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To pay outstanding obligations. **Business**—Designs, develops and manufactures rotating precision electronic controls and instruments. **Underwriter**—A. G. Becker & Co. Inc., Chicago and 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.

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.

★ Lewis (E. L.) Co., Inc., Spartanburg, S. C.
Aug. 26 (letter of notification) $70,000 of 6% capital debentures, series A. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To finance new store, or for working capital. **Underwriters**—Dargan & Co. and Calhoun & Co., both of Spartanburg, S. C.

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.

● Lindsay Chemical Co. (9/14)
Aug. 23 filed an issue of common stock (number of shares not given), which are to be offered for subscription by preferred and common stockholders about Sept. 14 on a pro rata basis; rights to expire on Sept. 28. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Lehman Brothers, New York; and Farwell, Chapman & Co., Chicago, Ill.

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.

★ Majestic Auto Club, Inc.
Aug. 25 (letter of notification) 100,000 shares of common stock (par five cents) to be offered only to service station owners and operators. **Price**—25 cents per share. **Proceeds**—For working capital. Office—Room 717, 141 Broadway, New York. **Underwriter**—None.

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.

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 & Co. Inc. **Bids**—To be received up to 11 a.m. (EDT) on Sept. 8 at The New York Trust Co., 100 Broadway, New York 15, N. Y.

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.

★ Motorists' Discount Service of America, Inc.
Aug. 27 (letter of notification) 41,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—117-119 Main St., Poughkeepsie, N. Y. **Underwriter**—None.

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ National Home Directory Co., Phoenix, Ariz.
Aug. 23 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 307 W. McDowell Road, Phoenix, Ariz. **Underwriter**—None.

● Neo-Line Products Corp. (9/7-8)
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.

★ Nevada Southern Gas Co., Las Vegas, Nev.
Aug. 30 filed 20,000 shares of 6% first preferred stock (par $20) and 85,000 shares of common stock (par $1). **Price**—Of preferred, $20 per share; and of common, $6 per share. **Proceeds**—To repay obligations of the company incurred in connection with the acquisition of the business and assets of Las Vegas Gas Co. **Underwriter**—First California Co., Inc., San Francisco, Calif.

New England Electric System (9/28)
Aug. 20 filed 910,883 shares of common stock (par $1) to be offered for subscription to common stockholders on the basis of one new share for each 10 shares held at the close of business on the record date (expected to be Sept. 29). **Proceeds**—To construction programs of its subsidiaries. **Underwriter**—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 up to 11 a.m. (EST) on Sept. 28.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

North Central Airlines, Inc.
June 15 (letter of notification) $300,000 of 10-year 6% convertible debentures due July 31, 1964 being offered to common stockholders of record Aug. 5 on the basis of $100 principal amount of debentures for each 100 shares held (with an oversubscription privilege); rights to expire on Sept. 15. **Price**—At 100% and accrued interest. **Proceeds**—To reduce trade accounts payable and for working capital. **Office**—World-Chamberlain Field, Minneapolis, Minn. **Underwriter**—None.

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. (9/28)
Aug. 31 filed $20,000,000 of first mortgage bonds due Oct. 1, 1984. **Proceeds**—For construction program of company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly). **Bids**—Expected to be received on or about Sept. 28.

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.

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 up to 11 a.m. (EDT) on Sept. 14 at office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City.

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 Telephone & Telegraph Co.
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. American Telephone & Telegraph Co., the parent, owns 91.1% of common stock and 78.2% of preferred stock. Statement effective Aug. 24.

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
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. (9/8)
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. **Offering**—Expected shortly after Labor Day.

★ Pitney-Bowes, Inc., Stamford, Conn.
Aug. 20 (letter of notification) 10 shares of common stock (par $2). **Price**—Around $20.90 per share. **Proceeds**—For working capital. **Underwriter**—None.

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) being first offered to stockholders of record July 30, 1954; 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.

★ Riddle Uranium Mines, Inc. (9/10)
Aug. 20 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 950 Pinyon St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

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.

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

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Sadwith, Vice-President. **Underwriter** — Granbery, Marache & Co., New York.

★ San Diego Gas & Electric Co. (9/20)
Aug. 24 filed 800,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 14 on the basis of one new share for each four shares held; unsubscribed shares to be offered first to employees. Rights are to expire on Oct. 5. Subscription period will open Sept. 20, with warrants to be mailed about Sept. 13. **Price**—To be supplied by amendment. **Proceeds**—To retire $5,000,000 of bank loans and to reimburse the company for construction made. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

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.

★ Selevision Western, Inc.
Aug. 27 (letter of notification) 240,000 shares of class A convertible stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital, etc. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

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.

● Standard Coil Products Co., Inc. (9/9-10)
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.

● Supermarket Merchandisers of America, Inc. (9/15-16)
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

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.

★ Tennessee Gas Transmission Co. (9/14)
Aug. 27 filed $65,000,000 of debentures due Sept. 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To redeem $41,300,000 of 4⅞% and 5% debentures and to reduce bank loans. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

● Texas International Sulphur Co. (9/15)
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 Brothers, New York, on a "best efforts" basis.

● Thompson-Starrett Co. Inc., New York
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. **Offering**—Temporarily postponed.

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.

★ Tomahawk Oil & Drilling Co., Albuquerque, N. M.
Aug. 23 (letter of notification) 109,400 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—Quadalupe Trail, Albuquerque, N. Mex. **Underwriter**—None.

★ Trailway Oil Co., Denver, Colo.
Aug. 12 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

Trans-Western Uranium Corp., Salt Lake City, Utah
Aug. 16 (letter of notification) 5,960,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office** 15 Exchange Place, Salt Lake City, Utah. **Underwriters**—Whitney & Co.; Call-Smoot Co.; Walter Sondrup; Atlantic Associates; James E. Reed & Co.; Amos C. Sudler & Co.; Selected Securities, Ltd., and Stradford L. Wendelboe & Co.

★ Treasury Vault Uranium Corp., Denver, Colo.
Aug. 23 (letter of notification) 570,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For exploration and development expenses. **Office**—718 Symes Bldg., Denver, Colo. **Underwriter**—None.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

United Cities Utilities Co.
Aug. 10 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To repay short-term note, purchase applicance inventories from certain subsidiaries, and for working capital. **Office**—Room 938, Merchandise Mart, Chicago 54, Ill. **Underwriter**—First California Co., San Francisco, Calif.

★ U. S. Fiberglass Industrial Plastics, Inc.
Aug. 27 (letter of notification 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For additional eqiupment, further research and development of new products and new products design, and for working capital. **Underwriter** — General Investing Corp., New York.

★ Uranium Oxide Producers, Inc., Grand Junction, Colo.
Aug. 24 (letter of notification) 4,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—350 Fifth Avenue, New York, N. Y. **Underwriter**—None.

★ Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

★ Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Femelohl & Co., New York.

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. **Office**—139 North Brand Boulevard, Glendale, Calif. **Underwriter** — Wagenseller & Durst, Inc., Los Angeles, Calif.

★ Welex Jet Services, Inc., Fort Worth, Texas (9/16)
Aug. 27 filed 68,528 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each five shares held as of Sept. 10. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Laird & Co., Wilmington, Del., and First Southwest Co., Dallas, Texas.

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 Development Co. (9/14)
Aug. 20 filed 360,000 shares of capital stock (par $1) and 60,000 subscription warrants, of which 300,000 of the shares are to be presently publicly offered. **Price**—$5 per share. **Proceeds** — To purchase certain royalty interests located in New Mexico and Colorado and for general corporate purposes. **Office** — Santa Fe, N. M. **Underwriter**—J. G. White & Co., Inc., New York.

★ Western Massachusetts Electric Co.
Aug. 31 filed $6,000,000 first mortgage bonds, series B, due Oct. 1, 1984. **Proceeds**—To repay bank loans incurred for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Blair & Co., Inc.

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.

★ Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. 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

★ Anglo California National Bank of San Francisco
Aug. 31 it was stated that stockholders will vote Oct. 5 on authorizing the offering to stockholders of 262,500 additional shares of capital stock (par $20) on the basis of one new share for each four shares held. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Vo., Inc., San Francisco, Calif.

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).

Chesapeake & Ohio Ry.
Aug. 23 it was reported company may be considering a plan to refund its outstanding $37,851,000 3⅞% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

★ Chicago, Milwaukee, St. Paul & Pacific RR. (9/9)
Bids will be received by the company up to noon (CDT) on Sept. 9 at Room 744, Union Station Building, Chicago 6, Ill., for the purchase from it of $2,700,000 equipment trust certificates, series SS, to be dated July 1, 1954 and to mature in 30 semi-annual installments of $90,000 each from Jan. 1, 1955 to and including July 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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 (expected privately). John R. Fell, a partner of Lehman Brothers, is a Vice-President.

★ First National Bank of San Jose, Calif.
Aug. 23 it was announced stockholders will vote Sept. 8 on increasing the authorized capital stock from 12,500 shares to 15,000, shares, the additional 2,500 shares to be offered to stockholders on the basis of one new share for each five shares held. **Price**—$100 per share. **Proceeds**—For expansion and to increase capital stock account.

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.

★ **Guild Films Co., Inc., New York**
Aug. 30 it was reported corporation is understood to be planning early registration of about 250,000 shares of common stock. **Business**—Manufactures films for television. **Underwriter**—Van Alstyne Noel & Co., New York.

★ **Hazel Bishop, Inc., New York**
Aug. 30 it was reported registration of about 250,000 shares of common stock is expected (part for new money and part for selling stockholders). **Business**—Cosmetics. **Underwriter**—Hayden, Stone & Co., New York.

★ **Household Finance Corp.**
Aug. 27 it was announced preferred stockholders will vote Oct. 7 on increasing the authorized amount of preferred stock (par $100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

Illinois Central RR. (9/9)
Aug. 20 it was announced company plans sale of $60,000,000 first mortgage bonds, series H, due 1989. **Proceeds**—For redemption of 3⅞% series E bonds. **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., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on Sept. 9 at office of Davis, Polk, Wardwell, Sunderland & Kiendl, 15 Broad St., New York 5, N. Y.

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. (EST) 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.

Kimberly-Clark Corp.
July 21 it was announced stockholders will vote Aug. 17 on increasing the authorized common stock from 6,000,000 shares (no par value) to 12,000,000 shares (par $5), two new shares to be issued in exchange for each no par share now held, and to provide additional capital shares for future financing. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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 & Co., Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith Barney & Co.

★ **Louisiana Power & Light Co. (10/20)**
Aug. 20 it was reported company plans to issue and sell $17,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem $12,000,000 4% bonds due 1983, and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; Kuhn, Loeb & Co.; Lehman Brothers and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Wertheim & Co. (jointly); Blyth & Co., Inc.; W. C. Langley & Co., The First Boston Corp. and Glore Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected Oct. 20. **Registration**—Scheduled for Sept. 19.

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.

★ **Majestic Auto Club, Inc.**
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

★ **Mexican Gulf Sulphur Co.**
Aug. 30 it was reported company plans issue and sale of 200,000 additional shares of common stock. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Middle South Utilities, Inc. (9/22)**
Aug. 30 it was announced company plans this week to file a registration statement with the SEC covering 475,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 22 on the basis of one new share for each 15 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To retire $12,000,000 of bank loans and for investment in System companies and for other corporate purposes. **Underwriter**—None.

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 York Telephone Co. (10/19)
Aug. 25 directors authorized issue and sale of $75,000,000 of 35-year refunding mortgage bonds. **Proceeds** — To refund $35,000,000 of 3⅞% series G bonds and repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received on Oct. 19

● **Northern Pacific Ry. (9/23)**
Aug 26, Robert S. MacFarlane, President, announced company plans to sell $52,000,000 of collateral trust bonds due Oct. 1, 1984. **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 on Sept. 23.

Pacific National Bank, San Francisco, Calif.
Aug. 18 it was announced common stockholders of record Aug. 16 were given the right to subscribe on or before Sept. 9 for 47,685 additional shares of common stock (par $20) on the basis of 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. **Underwriter**—Elworthy & Co., San Francisco, Calif., and associates.

Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.
Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of new new share for each 14 shares held. **Price**—To be named later. **Proceeds**—To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith Barney & 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)
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 to be received up to noon (EST) on Oct. 4.

★ **Public Service Co. of Oklahoma**
Aug. 28 it was reported that company may issue and sell 75,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.

★ **Pullman Trust & Savings Bank, Chicago, Ill.**
Aug. 26, Bartholomew O'Toole, President announced that the bank plans to issue and sell to its stockholders 12,500 shares of additional capital stock (par $20). **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Control**—A majority of the outstanding stocks is owned by Morris Plan Corp. of America.

★ **Reaction Motors, Inc., Rockaway, N. J.**
Aug. 7 it was reported company plans a small offering of additional capital stock (par $4) to its stockholders. Mathieson Chemical Corp. owns 50% of the presently outstanding shares, which are being split-up on a two-for-one basis.

● **Ritter Finance Co.**
Aug. 17 stockholders were to vote on a proposal to increase the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter** — Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

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.; Blair & Co., Inc. **Registration**—Planned for Sept. 22. **Bids**—Expected Oct. 26.

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. (10/25)**
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. **Bids** — Expected about Oct. 25.

● **South Georgia Natural Gas Co.**
Aug. 5 company was authorized to construct a 368.3-mile gas transmission system to serve new market areas in Georgia and Florida, estimated to cost $8,969,429. This expansion will be financed though sale of first mortgage bonds and junior securities. **Underwriter**—Shields & Co., New York.

● **Southern Pacific RR. Co.**
July 28 it was announced company has applied to the ICC for authority to issue $21,091,000 of first mortgage bonds due Jan. 1, 1996. **Proceeds**—To reimburse treasury for capital expenditures previously made. There will be no private or public offering, the bonds to be retained in company's treasury.

Spencer Chemical Co.
Aug. 23, Kenneth A. Spencer, President, announced company plans to issue and sell 150,000 shares of a new preferred stock (par $100). **Price**—To be named later. **Proceeds**—To redeem 76,865 outstanding shares of 4.60% preferred stock at $102.50 and accrued dividends, and for general corporate purposes. **Underwriters**—Morgan Stanley & Co. and Goldman, Sachs & Co. **Meeting**—Stockholders on Sept. 24 will vote on authorizing 250,000 shares of new preferred stock.

★ **Standard State Bank, Chicago, Ill.**
Aug. 26, Bartholomew O'Toole, President, announced that this bank plans to offer to its stockholders an additional 23,000 shares of capital stock (par $10). **Price**—$17 per share. **Proceeds**—To increase capital and surplus. **Control**—A majority of the present outstanding stock is owned by Morris Plan Corp. of America.

★ **State Bank of Blue Island (Ill.)**
Aug. 26, Bartholomew O'Toole, President, announced that this bank plans to issue and sell to its stockholders an additional 1,200 shares of capital stock (par $50). **Price**—$90 per share. **Proceeds**—To increase capital and surplus. **Control**—A majority of the outstanding stock is owned by Morris Plan Corp. of America.

★ **Texas Power & Light Co. (10/18)**
Aug. 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To refund $5,000,000 3⅞% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp. **Registration**—Planned for Sept. 23. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Oct. 18 at Room 2033, Two Rector Street, New York 6, N. Y.

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Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Virginia Electric & Power Co.
Aug. 20 directors approved in principle a plan to sell 600,000 additional shares of common stock this Fall. They will be offered to common stockholders at the rate of one new share for each 10 shares held on the record date, which is presently expected to be in November. **Proceeds** — To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.

● **Western Maryland Ry. (9/15)**
July 13 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds, series C, due Oct. 1, 1979. **Proceeds**—To redeem $12,632,000 of first mortgage bonds, series B, due 1976, and the remainder used to reimburse company for expenditures for capital improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 15.

● **Western Pacific RR. Co.**
Aug. 31 directors approved a proposal whereby holders of 225,000 shares of outstanding preferred stock will be offered a voluntary exchange for units consisting of $100 of new 5% 30-year income (sinking fund) debentures and one-sixth of a share of common stock for each share of preferred stock held. The remaining 83,211 shares of preferred stock will be called for payment. The exchange offer will be underwritten by Blyth & Co., Inc. and Union Securities Corp.

Western Pacific RR. Co.
June 30 stockholders approved a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.
June 28 it was announced company plans permanent finnacing. **Proceeds**—To retire bank loans. **Underwriter**—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 issueance and sale of $18,000,000 first mortgage bonds due 1984. **Proceeds**—To redeem $8,000,000 4% first mortgage bonds sold last year and $10,000,000 for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers, Bear, Stearns & Co., Reynolds & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected about Oct. 5 with registration on or about Sept. 9.

Wisconsin Public Service Co.
July 28 it was reported company is considering the issuance of about $12,500,000 new securities. **Proceeds**—To refund $8,000,000 outstanding first mortgage 4⅛% bonds due 1983 and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dean Witter & Co.; The First Boston Corp. Previous common stock offer was underwritten by The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co.

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Uranium Stocks and the Investor

include arerial surveys, surface examinations and appraisals, and extensive drilling. A participant in such a program — directed by uranium geologists of the first rank—has put himself in the position to be lucky.

Uranium is a metal always found in ore deposits or bodies combined with other elements to form minerals. The main sources of uranium in this country at present are the flat-lying or sedimentary deposits of the Colorado Plateau type; these deposits, generally irregular and erratic in shape, average about six pounds of uranium (.30%) per ton of ore and range in size of ore bodies from a few feet to perhaps 3,000 feet by 1,000 feet. Most deposits are mined through tunnels or shallow inclines, with a few of the large deeper deposits (the deepest is about 800 feet) requiring vertical shafts.

Two Significant Developments

In the last two years there have been two developments of major significance in uranium discovery. The first was the finding of large ore bodies in this country and Canada of a gross value of $50 million to $200 million. These discoveries showed that uranium deposits could be of sufficient size and value to warrant the attention of major investment capital and the larger companies. They also supported the belief of the Atomic Energy Commission and its geological staff that, with the proper stimulus of profit and with sufficient accumulated exploration experience, uranium would follow the same pattern and provide the same opportunities for rich returns as have the other raw materials basic to our economy for the past 100 years.

The second development has been the spreading of extensive exploration activity from the Colorado Plateau area to virtually the entire western United States. Outside of the Colorado Plateau, there have been significant finds in many areas in Wyoming, Arizona, New Mexico, California and the Dakotas. Uranium is being discovered in geological formations untapped five years ago. The A. E. C. has revealed that, since 1949, the total tons of uranium ore delivered to processing mills and government buying stations has doubled every 18 months. And in 1953 alone, nearly 2.7 million feet of exploratory and development drilling was performed under government and private sponsorship.

Geological indications have been favorable enough to cause Robert D. Nininger, Assistant Director of the A. E. C.'s Exploration Program, to state his belief that present developments are merely the beginning and that, "consistent with the past history of all other major metals and oil, many more large uranium deposits, some very likely larger than those already discovered, will be found. Large high-grade ore bodies should be found both in presently producing types and in types of deposits that are not present producers. And the historic progression in emphasis from higher to lower-grade sources should lead to production from known uranium deposits (some of very large size) which are presently uneconomical and from new types of low-grade, large tonnage deposits yet to be discovered."

What will be the demand for all of this uranium? Present indications are that every pound of uranium profitably mined at present prices can be sold for at least the next decade. And there is nothing now on the horizon to indicate that the demand for uranium will be sharply curtailed after that.

For one thing, the government has established minimum prices at which it guarantees to purchase uranium ore through March 30, 1962. The minimum price for the average grade of ore (.30% U3O8) mined on the Colorado Plateau at the present time is $21 per ton. With the addition of grade premiums, mine development allowances, haulage allowances, payments for vanadium content and bonus payments (all guaranteed by the government to encourage uranium exploration) the average price per ton of ore is actually about *$30 per ton.*

A New Source of Demand

Also, it is known that new gaseous diffusion plants and reactors will be coming into operation during the 1954-58 period. How much uranium will be required for these plants and reactors is not known, but it has been publicly stated that operations of this nature require substantial quantities of uranium fuel. It is doubtful that the government will want to leave an investment of several billion dollars idle because of a lack of uranium fuel costing perhaps $100 million.

It now seems probable that there is a virtually unlimited military demand for uranium, since apparently weapons of a variety of sizes are practicable, and the end point may be atomic weapons replacing all conventional explosives.

Non-Military Demand Potential

In addition, the potential use of atomic energy for power and in all forms of transportation promises a continual increase in the demand with a possible attendant increase in price. The non-military demand for uranium, now uncertain in extent, will possibly become increasingly significant, particularly with the passage of the new Atomic Energy Act.

Two other factors should be considered:

(1) A stockpile of uranium is of great strategic importance and can be stored indefinitely.

(2) In the present climate of world affairs—and as long as it continues—the government cannot afford to do anything but buy at reasonable prices every pound of uranium produced.

With this favorable supply and demand picture, two further questions should be considered:

(1) What are the costs and chances of finding uranium?

(2) Is it profitable?

An adequate exploration and development program for uranium requires a substantial sum of money. This is because extensive reconnaissance over wide areas must be conducted by competent uranium geologists, examination and appraisal of properties must be performed, and properties must be acquired for detailed examination and development. Most properties today—at least on the Colorado Plateau — require extensive exploratory drilling (generally at 200 to 300 foot spacings) because virtually all of the large surface deposits have been taken up. And once an ore body has been found, additional development drilling at 50 to 100 foot spacings is necessary to "block out" the ore body and estimate its gross tonnage. With average drilling costs at about $3 to $3.50 a foot, the drilling of properties can be a relatively expensive proposition.

Those with a successful background of experience in the search for uranium indicate that a well-run, long-range exploration and development program will cost not less than $300,000 to $500,000 a year once it is in full operation.

What Actual Return?

What is the expected return for this money? The experience of the government's exploration program is significant in this respect in terms of actual discoveries directly attributed to it. Although it is not possible to quote exact figures because of security restrictions, the gross value of uranium ore discovered directly by the government's program on the Colorado Plateau has exceeded by a considerable amount the total money expended on the program. This is true even though a large part of the government's expenditure has been directed to supporting services for private industry. Also, the government's drilling program has been limited primarily to wide-spaced exploration-type drilling which represents only the initial start of the development of new deposits and new uranium districts. (Exploration-type drilling is followed by development drilling and blocking out of ore reserves.) Therefore, the ore discoveries credited to government drilling represent only a small portion of the eventual ore reserves which have resulted from subsequent private exploration and development of ore bodies and districts first investigated by the government.

Estimates received from both government and private sources with substantial experience in uranium exploration and mining indicate that a large, well-run program of exploration-type drilling can, over a period of time, regularly return $100 to $150 gross value in uranium ore for every $30 of direct drilling costs. This means that an exploration-type drilling program can sustain itself and provide a reasonable profit after mining the ore found directly by such a program, while at the same time providing the basis for eventual discoveries of very great value after development drilling in the favorable areas discovered by the initial exploration drilling. (For example, the well publicized Steen MiVida mine, discovered by one exploration hole, is now estimated—after partial development drilling — to contain somewhere between 2 and 5 million tons of ore—gross value of $60 to $150 million.)

Mining of the Ore Profitable

Mining of uranium ore, once it has been found, is generally quite profitable. As against the average price per ton of $30, mining engineers figure the average mining cost per ton at $10 to $15. With average royalties, land costs and incidental expenses added, each ton of average $30 uranium ore should return about $10 in profit before taxes. A very large mine or a series of smaller mines may be even more profitable. In the latter case, this is due to the government bonus which is payable on the first 10,000 pounds of uranium shipped from a mining property; since the bonus applies to each separate mining property—up to 10,000 pounds—a number of separate small properties may be more valuable, price-wise, than a single big mine of over-all equivalent tonnage.

Also, after the discovery of sufficient ore reserves, a company may be granted A. E. C. permission to build a processing mill, which permits a substantial profit on the mill concentrate, and permits an increase in mining profit by extending the depletion allowance (now 23%) through to the mill concentrate. This combination of ore reserves and mill is the real "gravy train" in this business. Competent geologists in the field believe that a well-run exploration and development program, with the proper expenditure of funds, can very probably build up sufficient ore reserves over a two to four-year period to permit the construction of a processing mill.

As indicated above, the approach to the business that makes the most sense for anyone with substantial risk capital is the undertaking of a large, long-range exploration and development program. Geologic and economic indications favor such a program. People in the uranium mining business generally agree that they have to be lucky to find ore, but they say the main difference between those who find ore consistently and those who do not is that those who do have put themselves in a position to be lucky. A participant in such a large, long-range exploration and development program is in a position to be lucky.

What Investor Attitude?

What of the investor who is interested in investing in some of the new uranium mining companies which are now flooding the market. Most of the recent newspaper and magazine articles have cautioned him to beware in no uncertain terms. This is sound advice. However, the investor should also be aware of certain geologic and economic factors which he should look for in a prospectus and which he should take into consideration in appraising the chances of a particular company. An investor can help to protect himself if he understands the following:

Practically all of the uranium found on the Colorado Plateau has been found in one of three sedimentary geologic formations — Morrison, Chinle and Shinarump. The investor should know whether and where the company's properties contain these formations. If they are more than 800 to 1,000 feet deep, it probably will not be practical to drill and mine them—even if they contain commercial uranium ore.

The existence of surface showings and outcroppings of uranium as well as airborne anomalies (the existence of radioactivity discovered by aerial radiometric surveys) should be carefully noted by the investor. They make the area more favorable than it would otherwise be, but they do not mean that commercial ore bodies will surely be found. The investor should insist on a report prepared by a competent geologist experienced in uranium and should note his appraisal of these favorable indications and his conclusions as to the geology of the area and any work that has been done in terms of drilling and assaying ore samples.

Ample Capital Required

An adequate exploration program may require a substantial sum of money before the existence of uranium ore on the company's properties is proved or disproved. The investor should make sure that a new company will end up with sufficient capital after the stock offering to be able to undertake such a program. If sufficient capital is not available, the investor either will not be given a "fair run for his money" or will find his equity materially diminished by additional offerings for more capital.

The investor should make sure that the company's officials are not only responsible businessmen but that at least some of them are experienced in uranium. Every industry requires its own peculiar know-how, and the uranium mining industry is no exception. He should also make sure that the legal opinion as to the company's title to its properties was rendered by a reputable attorney and does not look to extensive litigation. In this area, this is probably all the investor can do because it is difficult enough for an attorney on the scene to check titles—it is virtually impossible for someone sitting in New York; and "clear title" to uranium property is a luxury enjoyed by very few companies. (Incidentally, the oil and gas lease "cloud" has now been largely removed by the multiple purpose legislation recently passed by Congress.)

It is, of course, very nice if the company has already blocked out a commercial-grade ore body. Very few new companies have—those that have are generally either privately owned or are valuing the ore body at the gross value in the ground rather than the net value at the mill. The investor should check such valuations very closely.

He should also examine the capitalization of the company and determine the amount of uranium which must be discovered before he can recover his investment and make a profit. If the royalties payable are not greatly in excess of the usual 10% to 15% and if the ore body is not too inaccessible, the investor may generally figure that each ton of average $30 uranium ore will return about $10 in profit before taxes. This means that—for a million dollars net before taxes — an ore body of approximately 100,000 tons is required. Of the roughly 550 uranium mines on the Colorado Plateau, only 15 have ore reserves over 100,000 tons—or one in 36. If less than a million dollars is needed, the odds, of course, become more favorable to the investor.

Consideration of all of these factors will generally discourage the investor from purchasing shares in a majority of the new companies. But it will also enable him to pick out the one or two or three "good speculations"—from which the return may be substantial indeed—or which may afford the best opportunities for "playing the market."

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

200TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on October 1, 1954, to stockholders of record at the close of business September 10, 1954. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

August 31, 1954

AMERICAN LOCOMOTIVE COMPANY
30 Church Street New York 8, N. Y.

PREFERRED DIVIDEND No. 185
COMMON DIVIDEND No. 121

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable October 1, 1954, to holders of record at the close of business on September 10, 1954. Transfer books will not be closed.

CARL A. SUNDBERG
August 24, 1954 *Secretary*

AMERICAN MACHINE AND METALS, INC.

43rd Dividend

A REGULAR QUARTERLY CASH DIVIDEND of 25¢ a share and An EXTRA CASH DIVIDEND of 50¢ a share will be paid concurrently on September 30, 1954 to share holders of record at the close of business September 15, 1954.

H. T. McMeekin, *Treasurer*

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (August 31, 1954) declared thirty-five cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after October 1, 1954, to the stockholders of record on the corporation's books at the close of business September 15, 1954.

MARSHALL G. NORRIS,
Secretary.

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable October 1, 1954 to stockholders of record at the close of business on September 15, 1954.

Common Stock

A quarterly dividend of $0.15 per share on the Common Stock, payable October 1, 1954 to stockholders of record at the close of business on September 15, 1954.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS
Vice-President & Secretary

J. I. Case Company
(Incorporated)

Racine, Wis., August 30, 1954

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1954, to holders of record at the close of business September 11, 1954. No action was taken on the Common Stock dividend.

WM. B. PETERS, Secretary.

GUARANTY TRUST COMPANY

New York, September 1, 1954

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending September 30, 1954, payable on October 15, 1954, to stockholders of record at the close of business September 15, 1954.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

GD GENERAL DYNAMICS

Dividend Notice

A quarterly dividend of 87½¢ per share has been declared on the Common Stock of the Corporation payable September 10, 1954 to share owners of record at the close of business August 13, 1954.

CHARLES P. HART
Secretary & Treasurer

New York, New York, July 29, 1954

GENERAL DYNAMICS CORPORATION
445 Park Avenue, New York 22, New York

ANACONDA

DIVIDEND NO. 185

August 26, 1954

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable September 29, 1954, to stockholders of record at the close of business on September 7, 1954.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

LOEW'S INCORPORATED
MGM PICTURES • THEATRES • MGM RECORDS

September 1, 1954

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on September 30, 1954, to stockholders of record at the close of business on September 14, 1954. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

REYNOLDS METALS COMPANY
Reynolds Metals Building
Richmond 19, Virginia

COMMON DIVIDEND

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable October 1, 1954, to holders of record at the close of business September 21, 1954.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*
Dated, August 31, 1954

SIRCO

SOUTHERN STATES Iron Roofing Company
SAVANNAH, GEORGIA

Dividend on Preferred Stock

A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this Company has been declared, payable on Oct. 1, 1954, to holders of record of said stock at the close of business on Sept. 16, 1954.

ROSS G. ALLEN
Secretary and Treasurer

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.

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of thirty-seven and one-half cents ($.37½) per share payable Sept. 17, 1954, to holders of Common Stock of record Sept. 3, 1954, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

The Mark of Quality

At a meeting of the Board of Directors of the Weatherhead Company, held August 12, 1954, a Dividend of $1.25 per share was declared upon the $5.00 Cumulative Preferred Stock of the Company, payable October 15, 1954, to the holders of such stock at the close of business on October 1, 1954.

MORRIS H. WRIGHT
Vice President & Treasurer

THE WEATHERHEAD COMPANY
300 E. 131st St. • Cleveland 8, Ohio

THE West Penn Electric Company
(Incorporated)

Quarterly Dividend
on the
COMMON STOCK
60¢ PER SHARE

Payable September 30, 1954
Record Date Sept. 10, 1954
Declared September 1, 1954

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of thirty-five cents (35c) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25c) per share on the Preferred Stock of this corporation, both payable Sept. 25, 1954, to stockholders of record at the close of business Sept. 15, 1954.

NORMAN TISHMAN, *President*

C.I.T. FINANCIAL CORPORATION
DIVIDEND NO. 128

A quarterly dividend of $0.50 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1954, to stockholders of record at the close of business September 10, 1954. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

August 26, 1954.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There are knowing business sources here who do not share the optimistic view that President Eisenhower won a victory in the final form of the Atomic Energy Act. Hence they are extremely skeptical that the way has been cleared for private business to share fully in the development of the atomic age.

In making this view known, these sources feel that it is perhaps preferable that the true outlook as they see it be understood. If the comfortable bedtime story is accepted that Congress genuinely cleared the way for privately enterprise to share fully in the atomic age., then some day there might be a rude awakening.

On the other hand, if the limitations of the Eisenhower "victory" were better understood, then spokesmen for private industry might be better mobilized to give the battle to the left-wing that they feel is inevitable in the years to come.

Until the new Act was adopted, atomic energy, of course, was an 100% government monopoly. Congress passed a new law which contemplates that private enterprise shall be permitted, under license of the Atomic Energy Commission, to use the atom not merely in the possible generation of electric power, but for all other imaginable purposes or uses which even cannot be foretold.

There was a superficial victory against the left-wing, in the decision of Congress to forbid the AEC to engage generally in the business of generating and distributing atomically-produced electric energy.

AEC was permitted, however, to build large-scale plants (note the plural) for the purpose of demonstrating the practical value of such facilities in the generation of electric energy.

Thus it is conceivable that AEC could take the latest method considered feasible to build an electric energy plant, and build one. Of if a better method were believed possible another day, the AEC might build a plant according to the later method, and so on, many times.

Depends on Congress Approval

However, AEC undoubtedly would have to get some kind of approval from Congress and the White House to launch any one new plant, or any additional plants. Hence, if the Administration and Congress of the time were hostile to socialistic enterprises, AEC (even if public-operation minded) would probably be stopped.

On the other hand, if the Congress were heavily "liberal" and so was the White House, at any time, AEC probably could engage in rather a considerable public power enterprise under the guide that it was "showing the way."

Public Operation Not Limited to AEC

However, Congress, in the desperate last-minute drive to get for the President what could be called an Atomic Energy Act legislative accomplishment, made serious compromises with the left-wing. One of the most serious of these compromises was that AEC could license other public bodies to build atomic electric generation plants.

The number of such possible public bodies is already legion, but they include TVA, Bonneville, etc. So, as far as the new atomic energy law is concerned, there is little practical limitation on the quantity and size of the public power industry which can come out of the recent Atomic Energy Act amendments.

Here again, however, the proliferation of public power is dependent upon Congress. Probably Bonneville, TVA, and other present public power administrations and authorities, would have to come to Congress to get authority to spend money to build such plants, even if AEC were ready and willing to license them to do so.

So again, whether the government shall build an extensive public power domain based upon nuclear fission, depends not particularly upon the terms of the recent Atomic Energy Act amendments, but on whether the Administration is or is not devoted to such a project, and upon what Congress would feel toward it.

If there were, as at present, an Administration not devoted to government monopoly, and a Congress more or less hostile in the net to public power, then the development of the atomic age via governmentalism could be halted, or at least restrained in growth.

On the other hand, even without a single amendment to the recent Act, a left-wing Administration and a predominantly "liberal" Congress could give the go-ahead signal to a large-scale licensing of public power generation from nuclear fission, via the innumerable existing public bodies equipped to handle this business.

Distribution Is Public

Furthermore, the Act continues with respect to public power which may be produced via nuclear fission, the same "preference clause" which now rules the distribution of power generated by other public enterprises. Local public power bodies and cooperatives get first crack at the power over the privately-owned by publicly-regulated, and tax-paying utilities.

Compulsory Licensing Threatens Private Development

Even power generation may be hampered by the compulsory licensing features. Among the several private groups which have been cooperating under close AEC regulation in studying commercial possibilities for producing electric energy from nuclear fission, it is normal to expect that one or two groups might first hit upon the formula for producing electric energy at a competitive cost, with nuclear fission.

Under the compulsory licensing features, however, that successful company would have to share its knowledge under compulsory license with those who were not successful.

It is doubted by substantial business elements in this city that many private firms will have the hardihood to lay out money and make the effort to be first in the business of producing electric energy cheaply with the atom, for their advantage will be taken away from them. It could even be handed over to public power bodies.

Doubt End of Compulsory Licensing

Any firm with a rudimentary knowledge of history may have some skepticism that the present five-year limit on compulsory licensing will end in five years. Congress is free to extend this restriction whenever it chooses. A person so sanguine as to expect to reap for himself the fruits of engineering studies, research effort and expense, and the vitality to go forward, is one who is brave enough to predict that the trend toward neo-socialism somehow will be reversed.

Chairman Sterling Cole of the Joint Atomic Energy Commission predicts that the courts would rule this compulsory licensing feature as unconstitutional. Any one who would predict that the present Supreme Court would uphold traditional interpretations of the Constitution is regarded as a brave if quixotic individual.

Analyogy of Synthetic Rubber

A crude analyogy to "compulsory licensing" is furnished by the synthetic rubber business.

At the present time the synthetic rubber plants are operated by rubber firms as agents for the government, which owns the plants.

Under the rubber law, any of these firms which patents a new development in synthetic rubbers is required to share the patents with all other firms and the government.

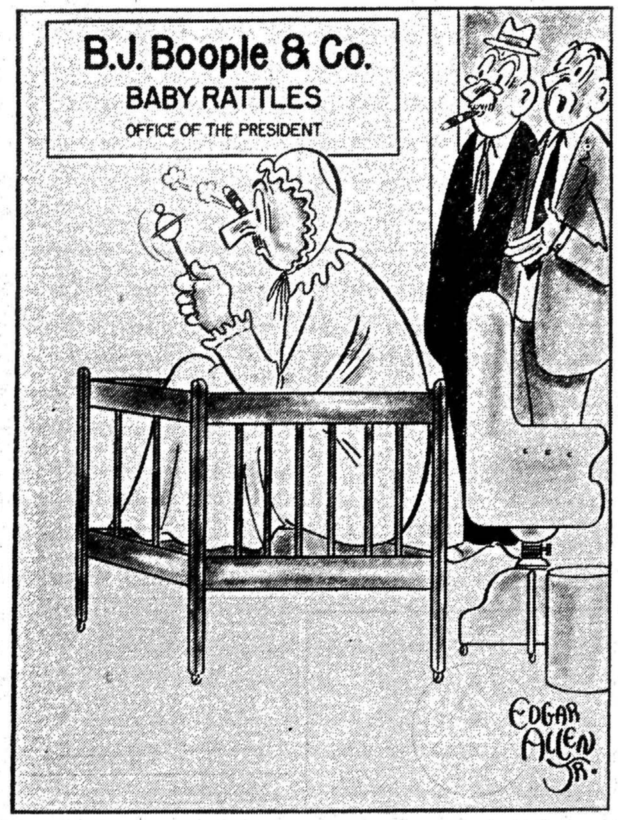
The late Rep. Paul W. Shafer (R., Mich.), who was probably the foremost expert in Congress on the synthetic rubber plants, told this correspondent more than a year ago that the number of practical developments in synthetic rubber which the companies operating the synthetic plants had worked out in laboratories, was little short of breath-taking. These developments, he said, all were being held back because of the compulsory licensing features. No one company with a brand new product was going to patent the same and share the knowledge with every competing rubber company.

Mr. Shafer said that when these synthetic plants finally were disposed of to private owners, the developments in synthetic rubber production would be genuinely revolutionary.

However, in the case of the rubber disposal program, as with the Atomic Energy Act, such serious compromises were made with the left-wing as to raise doubts the synthetic rubber industry for sure will revert finally to private hands. "Liberals" like Senator Paul Douglas (D., Ill.) so amended the synthetic rubber disposal program as to suggest that the entire program could be upset next year by Congress in just disapproving one key part of the whole disposal program.

(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



"B. J. is a firm believer in getting himself into a certain mood when he tests a new rattle!"

Business Man's Bookshelf

Atomic Energy Information Kit—second supplement — contains text of new Atomic Energy Law of 1954, interpretative sections pertaining to electric power industry, etc.—Electric Companies Public Information Program, Bozell & Jacobs, Inc., 2 West 45th Street, New York 36, N. Y. (paper).

Annals: 1953—United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill. (cloth), $5.

Defense Against Recession: Policy for Greater Economic Stability —Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. (paper).

Effect of Liberalized Methods of Depreciation Under the Internal Revenue Code of 1954 on the Electric and Gas Utility Industries — Ebasco Services Incorporated, 2 Rector Street, New York 4, N. Y. (paper).

Industry's Goal—Building a Better America—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper).

Job Property Rights—A Study of the Job Controls of the International Typographical Union — Arthur R. Porter, Jr.—Columbia University Press, New York 27, N. Y., $2.50.

People to People Diplomacy—Department of State Publication 5492—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 20¢.

Philosophy for Our Time, A — Bernard M. Baruch—Simon & Schuster, Inc., 630 Fifth Avenue, New York 20, N. Y. (paper), $1.

Problems in Anti-Recession Policy —Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. (paper).

Stock Buying Guide—Sam Shulsky—Arco Publishing Company, Inc., 480 Lexington Avenue, New York 17, N. Y. (cloth), $2.